

# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

This Statement on Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian public listed companies to make a statement about their state of internal control, as a Group, in their annual report.

## BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal control and the need to review its adequacy and integrity on a regular basis. The system of internal control is meant to effectively manage business risk towards the achievement of objectives so as to enhance the value of shareholders' investments and to safeguard the Group's assets.

However, as in any system of internal control, it is designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore, it can only provide reasonable and not absolute assurance against material misstatement or loss.

## THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Group has a comprehensive internal control framework that encompasses the Board, the Board and Management Committees with its specific terms of reference and the Executive Management that is empowered and accountable for the performance of their respective operating units. They operate within an organisation structure that is approved by the Board which clearly defines the authority for decision making and reporting and these are further reinforced with formal review, monitoring and reporting procedures that are embedded in each process or activity.

### Board and Management Committees

The Group has established the following Committees to assist the Board in discharging its responsibilities:

#### Board Committees

Audit Committee  
Executive Committee

#### Management Committees

Top Management Committee  
Agreement Committee  
Tender Committee  
Risk Management Committee

These Committees have delegated authority from the Board to act in accordance to its terms of reference and reports to the Board on a periodic basis. The Committees composed of individuals with high integrity and reliability and its members meet regularly in the discharge of its duties. Major corporate decisions and financial reporting are carefully reviewed by the designated Committee before they are tabled to the Board for consideration and approval.

### Management Structure

There is a formal organisational structure with delineated lines of authority, responsibility and accountability within the Group. The Board has put in place suitably qualified and experienced Management personnel to head the Group's diverse operating units into delivering results and their performance are measured against the Key Performance Indicators that are approved by the Board.

### Authorisation Limits

Group Authority Limits are established for revenue and capital expenditures that defines the approval limits for each level of Management which is further expounded by diligent examination of each expense by the authorised cheque signatories. Major capital investments, acquisitions and disposals are referred to the Board and its Committee for approval. The Group Authority Limits are also reviewed on a regular basis by the designated Committee.

### Budgets and Performance Monitoring

Annual budgets are prepared by each operating unit and consolidated by Group Finance. These are thoroughly reviewed before they are tabled to the Top Management Committee, Executive Committee and the Board for approval.

The Group's performance is monitored by Group Finance who prepares monthly management accounts that compares against the approved budget. The monthly management accounts are reviewed and deliberated by Management in its Monthly Operations Meeting and a copy is extended to the Executive Committee for review.

The Board monitors the Group's performance by reviewing its quarterly results and operations and examines the announcement to the Bursa Malaysia Securities Berhad. These are usually reviewed by the Audit Committee before they are tabled to the Board.

#### Human Resource

There are policies and procedures for recruitment, performance appraisals and promotion to ensure that suitably qualified and competent personnel are hired and retained and these policies are being continuously reviewed by Management and Top Management Committee.

Group Human Resource and Training department assumes the responsibility of developing employees with the relevant and appropriate skills.

#### Procurement and Disbursement

There is a centralised and coordinated Procurement function for major purchases, projects and maintenance expenditures that ensures adherence to approved procedures as well as to leverage on economies of scale. Major expenditures are subjected to tender procedures and appraised by the Tender Committee before they are approved by the Board or its Committee.

The Accounting and Disbursement function are centralised within Group Finance to ensure compliance with the established procedures and authorisation limits.

#### Legal and Regulatory

The Group adheres strictly to health, safety, environmental and halal standards as enforced by the various authorities. Product safety and quality audits are conducted by the Quality Assurance function on an ongoing basis while Public Affairs department and the Syariah Council oversees halal related matters.

#### Risk Management

The Group outsourced its Enterprise Risk Management practices. The Board acknowledges the importance of managing business risks and is committed to establish a Risk Management Unit that is dedicated to review the principal risks of the Group on an ongoing basis. This will involve the updating of the risk profiles of all the Group's operating units on a periodic basis in collaboration with Management and timely reporting of key risks to the attention of the Risk Management Committee and the Board.

#### Audit Committee and Internal Audit

The Board recognises that the Audit Committee and internal audit form an integral part of the Group's internal control framework and in promoting good corporate governance. The Audit Committee performs an important oversight role in maintaining the integrity of the Group's system of internal control and it has direct access to both the internal and external auditors. The activities of the Audit Committee and internal audit function are reported in the Audit Committee Report on pages 43 to 45.

#### CONCLUSION

The Board is of the view that the present system of internal control is adequate for the Group to manage its risks and to achieve its business objectives. The Board is committed in ensuring that the Group continuously reviews the internal control system so that it is effective in enhancing shareholders' investments and safeguarding the Group's assets.