

**CONFIDENTIAL**



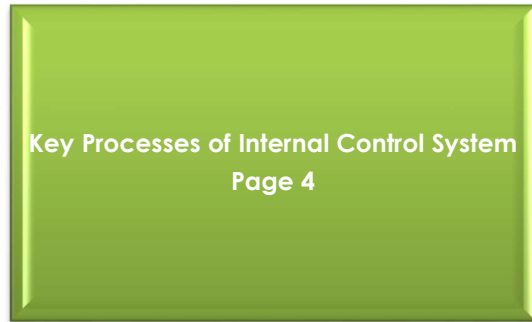
**SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

**INTERNAL CONTROL FRAMEWORK**

**(Approved by the Board of Directors on 17 June 2020)**

17 JUNE 2020

**THE CONTENT**



**1. INTERNAL CONTROL GOVERNANCE**

NO.	ENTITY	RESPONSIBILITY
1	The Board of Directors ("Board")	The responsibilities of the Board in respect to the Internal Control Management were defined in the Charter of the Board.
2	Audit Committee ("AC")	The responsibilities of AC in respect to the Internal Control Management were defined in its Terms of Reference ("TOR").
3	Group Managing Director / Chief Executive Officer / Executive Director ("GMD / CEO / ED")	<ul style="list-style-type: none"> <li>• Monitoring compliance with this policy;</li> <li>• Reporting to the Board on compliance with this policy; and</li> <li>• Developing, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating review on a regular basis.</li> </ul>
4	Internal Auditor ("IA")	<ul style="list-style-type: none"> <li>• To set strategy for each year in advance and to submit the strategy to AC for its review, comments and approval;</li> <li>• To plan work schedule for each year in advance and to submit the plan to AC for its review, comments and approval;</li> <li>• To review and approve the 'Planning Memorandum' and audit procedures / guidelines for each area under examination, prior to the start of any significant fieldwork;</li> <li>• To review system of the Internal Control of Sarawak Consolidated Industries Berhad ("SCIB") to ensure its adequacy and integrity in managing the principal risks and control; and</li> <li>• To assist AC in any planned / ad-hoc assignments.</li> </ul>

## 2. KEY PROCESSES OF INTERNAL CONTROL SYSTEM

SCIB's Internal Control System comprise the following key processes:

NO.	KEY PROCESSES	DELIBERATION
1	Compliance	<p>The Group's Accounting and Administration Regulations and Policies, Staff Manual and ISO 9001 Quality Management System Documentations has clearly outline operating procedures that cover finance, human resources and operations.</p> <p>Internal audit reviews are conducted at regular intervals to monitor compliance with the procedures and assess integrity of information provided.</p>
2	Financial Performance	<p>Interim financial results are reviewed by the AC and approved by the Board, together with annual budgets and forecasts.</p> <p>The variance between actual and budgeted results is analysed for effective Management actions thereafter and presented to the AC and the Board.</p>
3	Authority Level	<p>The Board clearly defines delegated authority levels for revenue and capital expenditure.</p> <p>The approval of capital and revenue proposals exceeding authorised limits requires decision by the Board.</p> <p>Comprehensive appraisal procedures apply to all major investment decisions.</p>
4	Accountability & Reporting	<p>The Group has a clear line of accountability, approval and reporting procedures taking into consideration segregation of duties and other control procedures.</p> <p>These procedures are communicated throughout the Group.</p>
5	Internal Audit Function ("IAF")	<p>The Board, via the AC, monitors risks management and internal control system through quarterly reviews, which is undertaken by IAF.</p> <p>The reviews include a balanced assessment of risks and adequacy and effectiveness of risk management and internal control system of the Group.</p> <p>Where any weaknesses are identified, IAF, together with input from the Management, would recommend measures to improve risk management and internal control accordingly.</p>