

CONFIDENTIAL

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

INTERNAL CONTROL FRAMEWORK

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

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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")	• Monitoring compliance with this policy; • Reporting to the Board on compliance with this policy; and • Developing, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating review on a regular basis.
4	Internal Auditor ("IA")	• To set strategy for each year in advance and to submit the strategy to AC for its review, comments and approval; • To plan work schedule for each year in advance and to submit the plan to AC for its review, comments and approval; • To review and approve the 'Planning Memorandum' and audit procedures / guidelines for each area under examination, prior to the start of any significant fieldwork; • 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 • To assist AC in any planned / ad-hoc assignments.

2. KEY PROCESSES OF INTERNAL CONTROL SYSTEM

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

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