



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“**the Board**”) is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2023 (“**Statement**”). This Statement is prepared pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”)’s Main Market Listing Requirements (“**MMLR**”).

The Board is also guided by the latest “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers” issued by the Task Force on Internal Control with the support and endorsement of Bursa Securities and Principle B of the Malaysian Code on Corporate Governance (“**the Code**”) - Risk Management and Internal Control Framework.

BOARD’S RESPONSIBILITIES

The Board affirms its overall responsibilities of good practice of corporate governance and is committed to maintain a sound and effective risk management and internal control system to safeguard its investments and assets. The system will provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

However, due to inherent limitations of any system of internal control and risk management, it should be noted that the system is designed to manage rather than to eliminate the risk of failure to achieve the objectives. Therefore, any system of internal control for that matter could only provide a reasonable and not complete assurance against any material misstatement, omission, loss or fraud.

During the financial year under review, the Board is assisted by the Audit and Risk Committee, the Internal Auditors and the Management to identify, approve and implement policies and procedures on risk management and internal control. The Audit and Risk Committee assumes the oversight of risk management and internal control matters.

Management identifies and evaluates the risks faced, and designs, implements and monitors an appropriate system of internal control in line with the policies approved by the Board. The Management also assigns accountabilities and responsibilities at appropriate levels within the Group as well as ensures that all the necessary resources are efficiently allocated to manage risks.

RISK MANAGEMENT

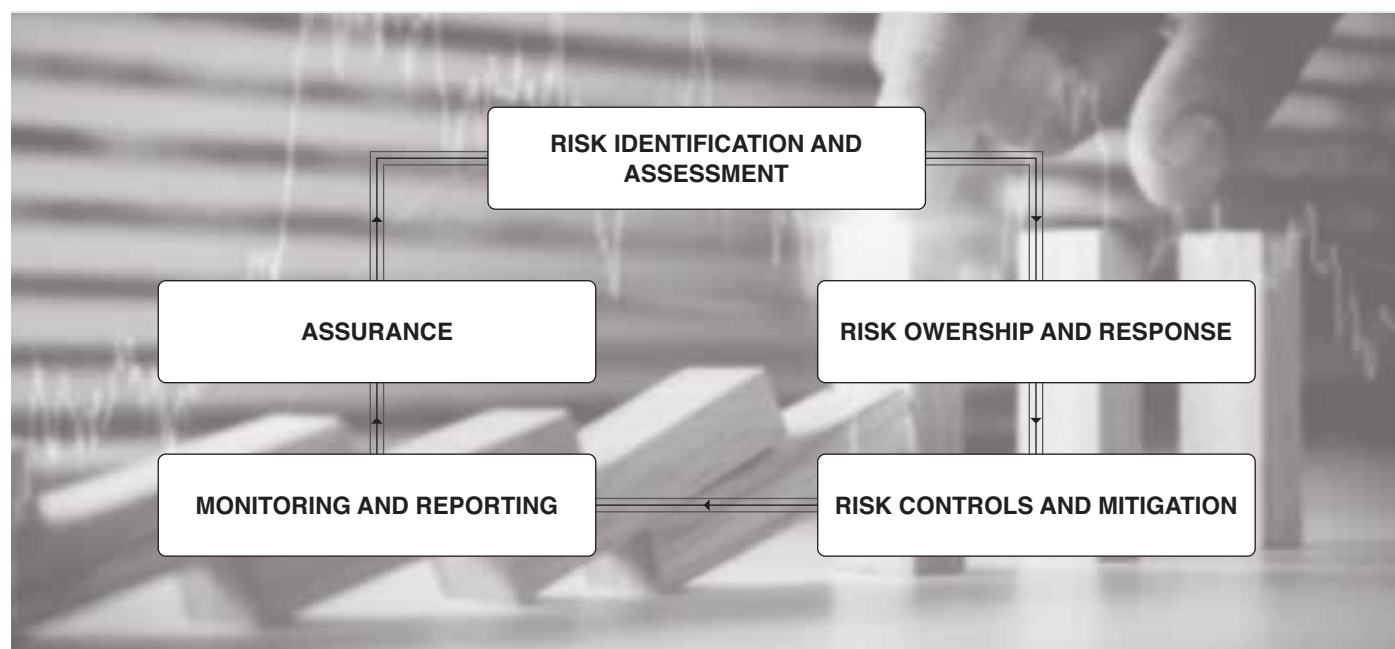
In Citaglobal, risk management is integrated into our business planning, investment decisions, internal control and day-to-day operations to enhance ownership and agility in managing risks. It is the Board’s priority to ensure that uncertainties and investment risks in new business ventures are managed in order to safeguard the interest of the shareholders. Collectively, the Board oversees and reviews the conduct of the Group’s businesses while the Executive Director and Management execute measures and controls to ensure that the risks are effectively managed.

The established Enterprise Risk Management Framework outlines the risk policy, risk governance and structure, risk measurement and risk operations and system for the Group. The Boards have implemented the risk management processes to identify, assess, monitor, report and mitigate risks impacting the Group’s business and supporting activities in accordance with ISO 31000:2018 – Principles and Guidelines on Implementation.



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The key aspects of the risk management framework are:



The Group has an established and structured process for the identification, assessment, communication, monitoring, and continual review of risks as well as the effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels.

On an annual basis, the Group's key enterprise risks are reviewed to identify the material risks to the Group and to identify the emerging risks or trending risks that may impact the Group. The exercise studies both internal data points (risk register, incidents and exceptions) as well as external data points (regional / global risk reports as well as industry practices) to assist with the identification and analysis of existing risks and possibly new risks for the year to come. Subsequently, the appropriate mitigation action plan will be developed, monitored, and reported to the ARC quarterly.

Other key elements of the risk management and internal control system and the Board's review mechanisms are as follows:-

- a) Clearly defined operating structure with well-defined delegation of responsibilities and accountabilities for the Group's operating units. Various Board and Management Committees have been established to assist the Board in discharging its duties with clearly defined Terms of Reference (TOR) that are periodically reviewed and updated:

Board Committees

Management Committees

01	Audit & Risk Committee	01	Group Management Committee
02	Nomination & Remuneration Committee	02	Management Assurance Committee
03	Long Term Incentive Plan Committee	03	Tender & Business Development Working Committee
04	Shariah Advisory Committee	04	Contracts and Agreement Working Committee
05	Finance & Investment Committee		



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- b) Organisation structure with well-defined lines of responsibilities, delegation and accountabilities for the Group's operating units
- c) Formalised and documented internal policies and procedures to guide employees' day-to-day work and ensure compliance with internal controls and relevant laws and regulations. These policies and procedures are periodically reviewed and updated to ensure the documents remain current and relevant.
- d) Established Limits of Authority (LOA) that defines lines of responsibilities, limits for major capital expenditures, contract awards, significant transactions for approvals by Board and Management;

Risk Profiling

Risk profiling exercise was conducted to ensure that the Group's risk exposures are properly mitigated and updated to reflect the current economic environment and new regulations imposed by the government which impacted the Group's risk exposures.

The likelihood and impact of the risks have been assessed and evaluated against the Group's risk appetite and tolerance level while appropriate key risk indicators and mitigation plans have been identified for the risks. The status of the principal risks and key risk indicator performances are then reported to the Management Assurance Committee, Audit and Risk Committee and the Board for their deliberation and guidance on a quarterly basis.

INTERNAL AUDIT FUNCTION

Internal Audit provides an independent and objective assurance on the efficiency and effectiveness of governance, risk management and internal controls implemented by the Group. This is to support the Audit and Risk Committee in the discharge of their oversight over governance and internal controls responsibilities. The Audit and Risk Committee has full access to the services of the Internal Audit and receive reports on all audits that are performed via quarterly Audit and Risk Committee meetings.

In year 2023, the in-house internal audit function is led by Pn Zunaina Zaini, an associate member of the Institute of Internal Auditors (IIA) Malaysia. While the in-house internal audit capability was being strengthened, the function is also co-sourced with RSM Corporate Consulting (Malaysia) Sdn Bhd ("RSM"), an external professional firm; to perform audit engagements based on the Annual Audit Plan approved by the Audit and Risk Committee.

All audits were performed with integrity, objectivity, confidentiality and competency and in accordance to the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and the established Internal Audit Charter.

Internal audit adopts a systematic and risk-based approach in reviewing the Group's governance, risk management and internal controls, guided by the COSO (i.e. The Committee of Sponsoring Organisations of the Treadway Commission) Internal Control – Integrated Framework. Internal audit also performs a risk based annual audit plan by assessing the risk profile, materiality, past audit history, business developments, feedbacks and requests, organisational changes, new regulations, result of reviews by other assurance providers and any other significant changes and developments within and outside the Group.

All audit reports on audit findings and observations, together with recommendations and Management's action plans to enhance the systems of internal control are presented to the Audit and Risk Committee quarterly. The Audit and Risk Committee reviews the reports and reports to the Board on significant control issues noted. Follow-up audits are carried out to ascertain if Management's actions are effectively and timely implemented.

During the financial year ended 31 December 2023, the cost incurred for the internal audit function (internal and outsourced) amounted to approximately RM354,700/-.



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OTHER RISK MITIGATION PROCESSES

The Board has also adopted various other processes to complement the system of internal control which include:-

- a) the establishment of Board Charter and Code of Ethics and Conduct which assist the Directors and employees of the Group in defining the minimal ethical standards and conducts in discharging their responsibilities; and
- b) the implementation of a Whistle-Blowing Policy and Procedures to provide a channel for legitimate concerns to be raised by employees or other stakeholders to the Audit and Risk Committee's Chairman.

The Board Charter, Code of Ethics and Conduct and Whistle-Blowing Policy and Procedures of the Group are available for reference on the Company's website at www.citaglobal.my.

BOARD ASSURANCE AND LIMITATION

The Board has received assurances from the Executive Chairman & President, the Group Chief Operating Officer, the Group Chief Financial Officer and the Senior Manager, Internal Audit and Risk Management that, to the best of their knowledge, the Group's risk management and system of internal control, in all material aspects, are operating effectively.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. While the Board reiterates that the risk management and systems of internal control are continuously improved in line with evolving business developments, it should also be noted that all the risk management systems and systems of internal control can only manage rather than eliminate the risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group can only provide reasonable but not absolute assurance against all material misstatements, frauds and losses.

While the Group has board representatives in the associated companies, the Group does not have management control in their operations. Accordingly, the associated companies have not been dealt with and considered for the purposes of this Statement.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Bursa Securities' MMLR, the External Auditors have conducted a limited assurance engagement on this Statement for inclusion in the Annual Report for the financial year ended 31 December 2023. Their assurance engagement was performed pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management in accordance with ISAE 3000 (Revised 2015) and Internal Control issued by Malaysian Institute of Accountants.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers as set out, nor it is factually inaccurate. AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

BOARD'S CONCLUSION

For the financial year under review, the Board is of the view that the systems of internal control and risk management, procedures and processes in place are reasonable, adequate and effective in safeguarding the assets of the Group, interests of shareholders and other stakeholders.