

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Paragraph 15.26(b) of the MMLR of Bursa Securities requires the Board of Directors of a public listed company to include in its annual report a statement about the state of risk management and internal control of the listed issuer as a group.**

The Bursa Securities' Statement on Risk Management & Internal Control (Guidelines for Directors of Listed Issuers) provides guidance for compliance with these requirements. The MCCG 2021 issued by the Securities Commission Malaysia requires the Board of Directors to establish a sound risk management framework and internal control system. ENRA's Board is pleased to provide the following statement that is prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities which outlines the nature and scope of the Risk Management and Internal Control of ENRA during the financial year under review.

## BOARD RESPONSIBILITY

The Board acknowledges the importance of sound internal controls and risk management practices to safeguard various stakeholders' interest and to address all key risks, which the Board considers relevant and material to ENRA and its subsidiaries operations. The Board affirms its overall responsibility for the Group's system of internal control and risk management process, which includes the establishment of an appropriate control environment and framework. The Board is also responsible for reviewing the effectiveness, adequacy and integrity of those systems. These systems are designed to manage rather than to eliminate any risk that may impact the Group arising from non-achievement of the Group's policies, goals and objectives. Such system provides reasonable but not absolute, assurance against material misstatement or loss.

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing the operating and financial controls affecting the achievement of its business objectives throughout the financial reporting period. The Internal Audit Department plays a role in this respect. The process is reviewed quarterly by the ARMC. The Board maintains ultimate responsibility over the Group's system of internal control and risk management process that it has delegated to the EXCO for implementation. The Internal Audit function is to provide reasonable assurance that the designed controls are in place and are operating as intended.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT

The Board reviewed the risk management processes in place within the Group with the assistance of the ERM and the Internal Audit Department.

The ERM meets on a quarterly basis to deliberate on risks identified, controls and risk mitigation strategies arising from the risk assessment process conducted. The key elements of the Group's risk management framework are as follows:

- The ERM, which is chaired by the President & Group Chief Executive Officer, and comprises the Executive Directors as members and the Head of Internal Audit as the risk coordinator. The ERM is entrusted with the terms of reference and the responsibility to identify and communicate to the Board the key risks the Group faces, their changes, and Management's actions and plans to manage such risks.
- The Risk Management policy guide and manual, which outlines the corporate policy and framework on risk management for the Group and offers practical guidance on risk management issues. Pursuant to the said policy, the Risk Management Units ("RMUs") at the subsidiary/operational level were set up to report quarterly to the ERM.
- The Enterprise Risk Management ("ERM") framework, which is defined as methods and processes used by an organisation to manage risks and seize opportunities related to the achievement of their objectives. The key feature of this framework is a risk governance structure comprising three lines of defence with established and clear functional responsibilities and accountabilities of the management of risk.

The process owners and heads of various business units and supporting functions are the first level of defence and are accountable for all risks assumed under their respective areas of responsibility in line with the Risk Management policy and guidelines.

The RMUs with the oversight by the ERM provides the second line of defence. Quarterly updates on risk management are given by the heads of the various business units and certain supporting functions to the RMUs, which in turn reports the ERM. The ERM provides direction and has an oversight role in the risk management process. At its scheduled quarterly meetings, the ERM appraises and assesses the efficiency of the controls and progress of actions plans taken to mitigate and monitor the risk management exposure of the Group. The ERM also monitors the progress and status of the risk management activities, as well as raises issues of concern for Management's attention.

The Internal Audit function provides the third line of defence. The function reports directly to the ARMC and provides independent assurance of the adequacy and reliability of risk management processes and system of internal control and ensures compliance with risk related requirements.

- Within the framework, there is an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls of the business units and supporting functions with regular communication between business units and the RMUs that in turn reports to the ERM. The current methodology is adopted from the elements of Risk Management ISO 31000 (2015). The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk parameter boundary set by the ERM and approved by the Board. The parameters define risks that are deemed to exceed or are close to exceeding the risk tolerance, and those which are not. There is an established risk treatment guidance on the action to be taken for the relevant risks.
- The Group's activities are exposed to a variety of risks, including operating, financial, strategic management, human resource, information technology, procurement, political, sales and marketing and safety, health and environmental risk. The Group has relevant policies and guidelines on risk reporting and disclosure that cover those risks.

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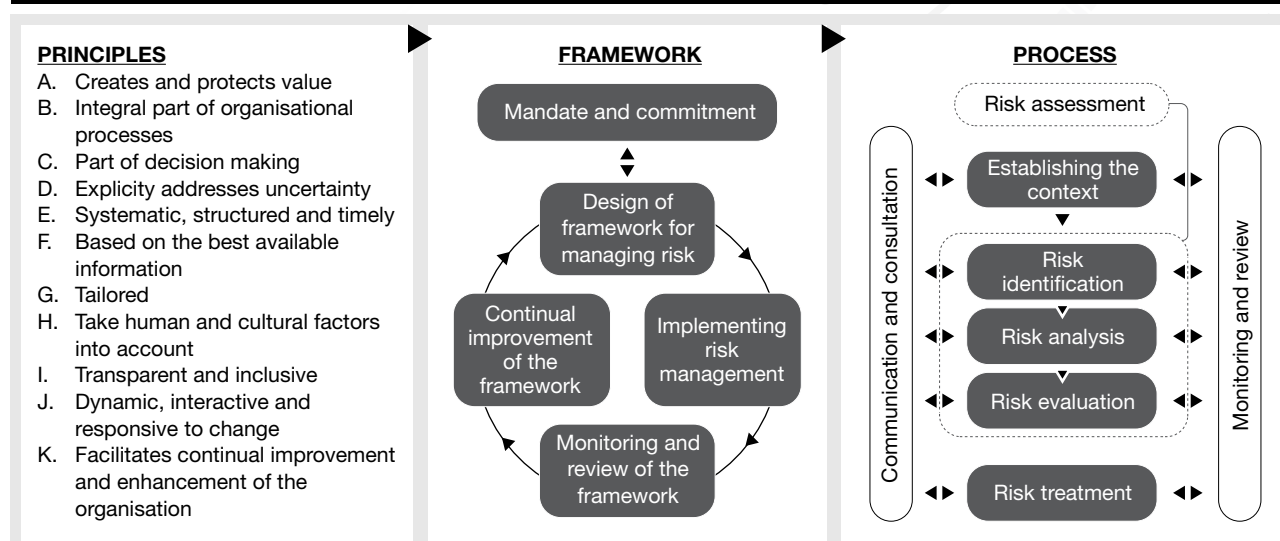
## RISK MANAGEMENT (CONT'D)

### Management of Significant Risks

The management of significant risks identified for the financial year ended 31 March 2022 are as follows:

1. Strategic Management Risk in managing the expansion of business portfolio. Expanding the business database through diversification, expansion, education & transfer of knowledge in this ever challenging & changing environment. The Group managed this risk through managing customer and main contractor expectations for EES & ESPM for the PCML project.
2. Environmental Risk exist as we operate within both the oil & gas and property development industries/segments which are exposed to compliance risk of laws and regulations including those relating to health, safety, environment and compliance with the various certifications required for those industries. We currently have various preventive maintenance programs through Quality, Health, Safety and Environment ("QHSE") daily & weekly monitoring for ESPM, periodic reviews of compliance with the applicable rules, regulations and standards with the regulators for the other projects, training and development, and processes for risk assessment and monitoring and control based on ISO 9001 quality objectives.
3. Project Completion Risk, as the Group has businesses both locally and overseas and is exposed to various risks relating to delay and price changing in procuring materials, project management risks, occupational health and safety risk, political risk, credit risk, foreign exchange risk, sub-contractor's financial management, payment issuance and communication barriers. The Group has embarked on a more stringent role in terms of monitoring projects both locally and overseas such as appointing key people as project managers and regular monitoring, liaising with Group Legal on the terms of contracts and reporting on project progress to the EXCO.
4. The Board and Management of ENRA monitor the impact to the Group's business and operations arising from the COVID-19 pandemic as per the EXCO-approved Business Continuity Plan ("BCP") which was implemented on 27 February 2020. In respect to this, the Group engages with customers, suppliers, transporters and forwarders to minimise movement and supply disruptions. The Group ensures that its business and operation will continue amidst the COVID-19 pandemic but undertakes to adhere to various standard operating procedures as set by the government as well as the BCP. To this end, various safety and health measures were implemented at the Group's premises such as implementation of a "work from home" policy, split team arrangements, sanitisation and daily temperature screening. The Group will continue to monitor the ripple effects of the pandemic and to assure the safety of its employee and those in its supply chain.

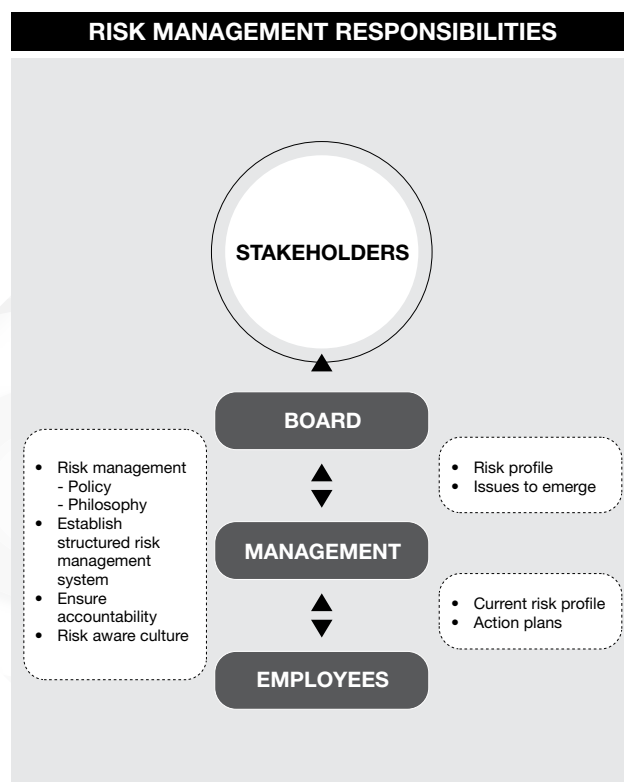
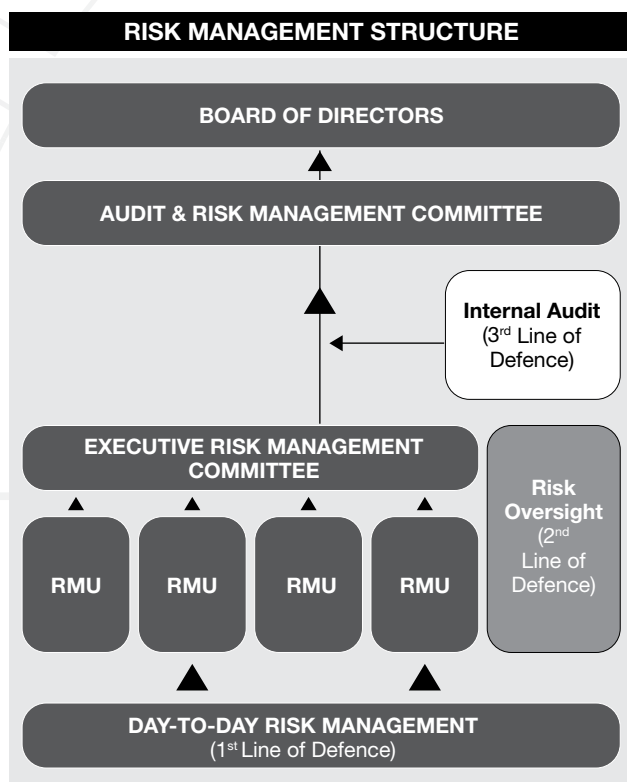
### RISK MANAGEMENT BASED ON ISO 31000



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## RISK MANAGEMENT STRUCTURE

The Risk Management process is a collective responsibility which works by engaging every level of the organisation as risk owners of their immediate sphere of risks (as shown in the Risk Management Responsibilities diagram below). The Group aims to approach risk management from a top down and bottom up approach (holistically). This is managed through an oversight structure involving the Board, ARMC, Internal Audit, ERM and RMUs.



## INTERNAL AUDIT FUNCTION

At present, there is an in-house Internal Audit function. The Internal Audit function operates within the framework of the International Professional Practices Framework by the Institute of Internal Auditors as stated in its Internal Audit Charter, which is approved by the ARMC. The Internal Audit function provides the ARMC with independent opinions of processes, risk exposure and systems of internal control using the “Committee of Sponsoring Organization of the Treadway Commission’s Internal Control – Integrated Framework” as a guide.

The Internal Audit function assesses the Group’s Internal Control system according to the following five interrelated control elements:

- Control Environment
- Risk Assessment
- Control Activity
- Information & Communication
- Monitoring

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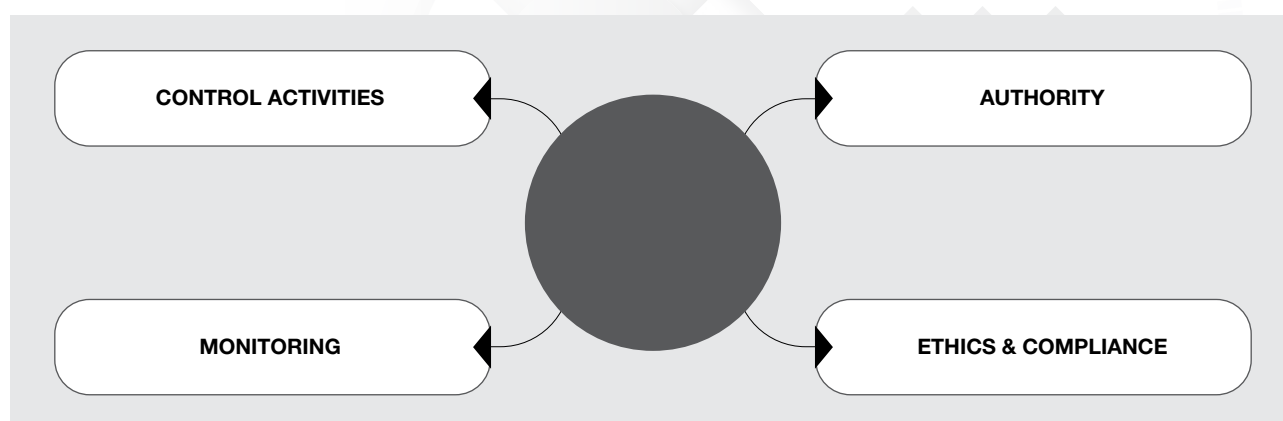
## INTERNAL AUDIT FUNCTION (CONT'D)

The Internal Audit team is headed by Mr. Melvinder Singh Harminder Singh, Group Head of Compliance & Governance, who is a Chartered Member of the Institute of Internal Auditors Malaysia with more than 20 years of experience in internal auditing. Mr. Melvinder and his team independently reviews the key business processes, and reports to the ARMC on a quarterly basis. The ARMC reviews and evaluates the key audit issues raised by the Internal Audit function and ensures that appropriate and prompt remedial action is taken by the Management. During the financial year ended 31 March 2022, the Internal Audit function prepared and presented an annual audit review schedule to the ARMC. This annual schedule outlines the key business processes of the Group's governance process, head office departments, property development subsidiaries as well as oil & gas services. The ARMC had reviewed and approved the schedule providing the Internal Audit team with the mandate in assessing the adequacy and effectiveness of the Group's internal control system.

In line with the approved annual review schedule by the ARMC, the Internal Audit team completed four routine audits, and two follow-up audits. The area of coverage is aligned with the Group's Risk Management assessment covering Finance, Human Resource, Operations, Procurement, Inventory, General IT, Sales, Marketing, Fraud Assessment and Project Management.

## CONTROL ENVIRONMENT AND STRUCTURE

Apart from the above, the other key elements of the Group's internal control system include:



a. Policies, procedures and limits of authority make up the Control Activities and Authority.

- Formally documented internal policies, standards and procedures are in place and periodically updated to reflect and enhance operational efficiency. Cases of non-compliance with policies and procedures are reported to the ARMC.
- Formally defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## CONTROL ENVIRONMENT AND STRUCTURE (CONT'D)

- b. Strategies, business planning, budgeting and reporting fulfills the Monitoring role.
- Bi-weekly comprehensive information provided to Management for monitoring through the Management Committee Meeting and monthly Management Financial Review meetings on performance against strategic plans covering all key financial, operational, oil & gas and property venture indicators.
  - Detailed budgeting process requiring all business units to review their budgets periodically. The budgets are discussed and approved by the President & Group Chief Executive Officer and subsequently the Board.
  - The Group Chief Financial Officer provides the Board with quarterly financial information. This effective reporting system exposes significant variances against the budget. Key variances are followed up by Management and reported to the Board.
- c. Risk assessment ensures that all are in Compliance and meet the Ethical requirements of the ethics code.
- The President & Group Chief Executive Officer, with the input from the ERMC, reviews with the ARMC on any significant changes in internal and external environment, which affects the Group's risk profile.

## CODE OF BUSINESS ETHICS SIGN OFF BY EMPLOYEES AND EXCO

The Group communicates the Code of Business Conduct to its employees upon their employment. The Code of Business Conduct reinforces the Group's core value on integrity by providing guidance on moral and ethical behaviour that is expected from all employees in following applicable laws, policies, standards and procedures. Every six months, the employees and EXCO of the Group confirm compliance via the Code of Business Conduct Questionnaire for disclosure of any irregularities or breach of the Code of Business Conduct. The feedback from the Code of Business Conduct Questionnaire is considered by the EXCO and further deliberated by the ARMC. There were no irregularities or breaches in this financial year.

## GROUP VENDOR CODE OF CONDUCT

There is a Group Vendor Code of Conduct, which sets standards of business practice that generally applies to all vendors of the Group. The areas of coverage in the Vendor Code of Conduct are Professional Conduct and Business Ethics, Compliance with Laws, Rules and Regulations, Human Rights and Labour, Anti-Corruption/Anti Competition, Conflict of Interest, Health Safety and Environment, Confidentiality and maintenance of Documentations and Records. All vendors need to acknowledge the Vendor Code of Conduct. Acknowledgement of the Code is a pre-requisite in all of the Group's contracts for supply. Through the acceptance of a purchase order, letter of award, contract or agreement or performance of any obligation to and agreed by the Group, Vendors shall commit and are deemed to have committed themselves to complying with the Code.

## WHISTLEBLOWING POLICY

A Whistleblowing Policy is established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner to enable employees and stakeholders and where applicable, members of the public, to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate way.



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## ANTI CORRUPTION POLICY

With the passing of the Malaysian Anti-Corruption Act (Amendment) Bill 2018 by the Malaysian Parliament on 4 April 2018, a new Section 17A was added to this Act which makes the corporate entity liable for the conduct of any person associated with the commercial organisation who corruptly gives, agree to give, promises or offers to any person gratification with the intent to secure business or an advantage for the commercial organisation. In line with the new Section, ENRA has taken steps to enhance the Adequate Measures, by formulating an Anti- Corruption policy which has been approved by the Board, a series of seminars and trainings (both external and internal), a gap analysis on the Standard Operating Policies & Procedures' and reinforcing them, dialogues, awareness through articles and quizzes, corruption risk management in its risk profiles, continuous training of staff on corruption prevention, and continuous monitoring and review by Group Internal Audit.

## REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on this Statement of Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG 3), Guidance for Auditors on Engagement and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 31 March 2022, and reported to the Board that nothing has come to their attention that caused them to believe the statement intended to be included in the Annual Report is not prepared in all material respects, in Accordance with the disclosures required by paragraph 41 and 42 of the said Guidelines, nor is the Statement of Risk Management and Internal Control factually inaccurate.

## BOARD ASSURANCE

For the financial year under review, the Board is satisfied and is of the view that the risk management and internal control systems in place for the year under review and up to the date of issuance of the financial statements is adequate and effective and there are no material losses resulting from significant weaknesses that require separate disclosure in the Annual Report.

The Board has also received assurances from the Executive Directors, President & Group Chief Executive Officer and the Group's Chief Financial Officer that to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. Nevertheless, the Board together with the Management of the Group is continuously taking measures to improve the policies and processes to further strengthen the key elements of risk management and internal control systems. This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board duly passed on 23 June 2022.