

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board recognises the importance of a sound framework of risk management and internal control for good corporate governance and to safeguard the Group's assets and shareholders' interests. Towards this end, the Board is committed to maintaining a sound risk management framework and internal control system for the Group and ensuring its continued effectiveness, adequacy and integrity through a process of periodic review. Guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuer and Main Market Listing Requirements, the Board is pleased to present the Statement on Risk Management and Internal Control.

RESPONSIBILITY OF THE BOARD

The Board assumes the responsibility for effective and adequacy of the Group's risk management and internal control system and has an established Term of Reference to assist in discharging of this responsibility.

The Board has delegated the responsibility of undertaking this process of periodic review to the Audit and Risk Committee ("ARC"), whose responsibilities and duties are detailed in the ARC Report of this Annual Report. However, the Board as a whole remains ultimately responsible for the effectiveness, adequacy and integrity of the system of risk management and internal control.

The Board's risk management approach has continued to evolve in line with the Group's expanding activities. During the financial year, the Group's business has expanded from the acquisition of Paysys (M) Sdn Bhd, whom is principally involved in the credit card acquiring business, provision of terminals and payment solutions and is a key player in this sector in Malaysia. The Group also expanded its overseas markets to Cambodia by entering agreements to acquire Speed Pay PLC, whom is principally involved in the Cambodia e-payments space.

The Board is aware that the expansion into new areas of business and operating in different countries would involve new and different risk considerations. Whenever these events occur, the Board will, in addition to its normal risk management process, pay particular attention to the impact of Group's overall risk profile and sufficiency of existing internal controls in addressing the additional risks, if any. The Board has during FY 2018, continued to strengthen the Group's governance and risk management framework to identify, assess, mitigate, report and monitor the significant risks in an effective manner.

The Board recognises the integral role of key management in the risk management and internal control process. The Board had established the Risk Management Committee ("RMC") comprising Senior Management of the Company to identify and assess the Group's risks and thereafter to design, implement and monitor the appropriate risk management processes and internal controls to address and mitigate such risks.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:-

1. Authority and Responsibility

a) Board Committees

Board Committees are established and operate under clearly defined Terms of Reference, which are reviewed regularly, to objectively and independently focus on certain responsibilities delegated by the Board.

b) Delegation of Authority

In the financial year 2015, the Management has implemented a revised Delegation of Authority, which is in line with the growth of the business of the organisation. The revised Delegation of Authority clearly defines the authority and authorisation limits of the Management in all aspects of the Company's key business decisions.

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KEY INTERNAL CONTROL PROCESSES (cont'd)

2. Monitoring and Reporting

Monthly management meetings are chaired by the Group CEO and led by the respective Country Heads for various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget. The Board is also kept apprised of the Company's performance during the scheduled board meetings with the Company's business performance and plans being reviewed and deliberated.

3. Policies and Procedures

The Group has defined and documented internal policies and standard operating procedures to ensure inter alia sound internal controls are implemented and compliance with applicable laws and regulations. The policies and procedures are also being reviewed on a regular basis to ensure its relevance and effectiveness; in which Group Internal Audit ("GIA") function carried out a review on the Group's operations policies and procedures.

4. Internal Audit Function

As part of the Group's efforts to establish a sound framework for risk management and internal control, an in-house audit function is established as a key component of its internal control processes. The Group Internal Audit reports independently to the ARC and is guided by a formalised Internal Audit Charter and the Institute of Internal Auditor's International Professional Practice Framework.

Acting as the third layer of defence in internal control, the GIA undertakes internal audit reviews for the Group based on an annual internal audit plan approved by the ARC. The results of all internal audit reviews, together with the findings and recommendations, are presented to Management for discussion and formulation of the necessary corrective action plans prior to finalisation of the internal audit reports. At each ARC meeting, the Head of Internal Audit updates the ARC of all the status of ongoing audits, and when appropriate relevant parties are invited to be present during such presentations.

The GIA is headed by Mr. Liow Tien Chin, a member of Certified Practising Accountant (CPA) Australia and Chartered Member of The Institute of Internal Auditors Malaysia, with more than 10 years of experience in the profession. GIA department is supported by a reasonable workforce whom possesses the relevant qualification and experience and has adequate resources to fulfil the internal audit plan for the next financial year.

ARC is satisfied that the internal audit personnel are free from any relationship or conflict of interest, which could impair their objectivity and independence and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.

5. Risk Management

a. Risk Management Committee ("RMC")

The RMC was established by the Board in 2012 as a key component of the Risk Management Framework. The RMC, which is headed by the Group's Chief Executive Officer ("CEO"), comprises the Group's Chief Financial Officer ("CFO") and Country Heads from each country. The responsibilities of RMC are as follow:-

- To identify and assess, on an ongoing basis, the risks faced by the Group and thereafter to design and implement appropriate risk management processes and internal controls to address or mitigate such risks in an effective manner;
- To periodically assess and review the continued effectiveness and appropriateness of risk management processes;
- To determine and recommend to the Board the Group's risk appetite and tolerance;
- To continuously promote an effective risk awareness culture throughout the Group with written policies and other forms of communication to employees and stakeholders; and
- To be accountable and periodically report to the Board, through the ARC, for the design, implementing and monitoring of the risk management system.

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KEY INTERNAL CONTROL PROCESSES (cont'd)

5. Risk Management (cont'd)

a. Risk Management Committee ("RMC") (cont'd)

The Head of Internal Audit was invited to attend meetings of the RMC as an observer to provide the ARC with an independent assessment of the adequacy and reliability of the risk management processes and compliance with risk policies.

The RMC shall meet at least twice a year to conduct a formalised annual risk assessment and report the findings to the ARC. On a quarterly basis, the RMC Chairman, i.e. Group CEO, and the Group CFO are invited to the ARC meeting to formally brief the ARC of any risks related events and/or new risks faced by the Group with the corresponding action plans taken to mitigate the risks.

b. Risk Framework

Risk Management activities are guided by the Group's Enterprise Risk Management Framework. The risk universe covers a span of activities to determine the risk profile inherent from the nature of business which would compromise the business objectives if addressed improperly.

c. Risk Identification, Evaluation and Ranking

The Management of each Business Unit, in establishing its business objectives, is required to identify and document all possible risks that can affect their achievement taking into consideration of the effectiveness of controls that are capable of mitigating such risks.

Country Managers or Heads of Departments are responsible to identify risks that may have impact in meeting their unit's business objectives. Risk identification process shall also take into consideration of the following:-

- Risk specific to the achievement of business objectives; and
- Risks that have the potential impact on the success and continuity of the business.

Thereafter, identified risks are evaluated as follow:-

- Probability or likelihood of occurrence;
- Significance of the risk; and
- Review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks.

d. Risk Reporting and Monitoring

Each Business Units and Projects identified risks together with the controls and processes used to manage risks are tabulated in a risk assessment report. Significant risks of Business Units and Projects are presented to the RMC for their deliberation.

Risk monitoring is an ongoing process in which the RMC monitors the Group's business risks as part of their annual assessment for proper disclosure in the Annual Report.

e. Merchant Risk

The Group Risk Department currently monitors merchants' performance risks of its active Transaction Payment Acquisition ("TPA") businesses in Malaysia, Thailand and Philippines. The Group Risk Department performs this function by firstly determining the risk acceptance criteria; followed by measuring, classifying and monitoring merchant activities at a transactional level using predetermined risk rules; and finally instituting remedial and exit procedures for errant merchants. This approach is embodied in the Group's Credit Policy manual and is heavily automated in the Group's M-Cube Risk Management system.

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KEY INTERNAL CONTROL PROCESSES (cont'd)

5. Risk Management (cont'd)

e. Merchant Risk (cont'd)

During the year, the Group Risk Department terminated certain high risk merchants as a result of its review of transaction exceptions, evidencing the veracity of the M-Cube Risk Management system in detecting errant merchant behaviour. Management has continuously kept abreast of these reviews and findings via the monthly Business Reviews. The Group Risk Department also continues to fine tune its policies and procedures to stay in line with changes in the marketplace and business objectives and plans.

6. Information Technology Controls and Security

a. Disaster Recovery Backup Plan

A Disaster Recovery ("DR") backup policy and procedure has been established group wide in order to ensure continuity of the business operations in the event of IT-disabling disaster strikes. DR drills are conducted by the technology division together with external service provider at least once a year with continuous effort to enhance the DR capability to cover all key aspects of the businesses.

b. Payment Card Industry Data Security Standard ("PCIDSS")

PCIDSS is an actionable framework established by Payment Card Industry Security Standards Council ("PCISSC") to ensure the safe handling of cardholder information at every step. PCIDSS covers systems, policies and procedures around the following:-

- Building and maintaining a secure network and systems;
- Protect cardholder data;
- Maintaining a vulnerable management programme;
- Implementation of strong access control measures;
- Regularly monitor and test networks; and
- Maintain an information security policy.

The Malaysia operations obtained its first Certificate of PCIDSS compliance in 2012 by meeting all the requirements set by the standards. During the year, the Company was reassessed by a qualified security assessor from PCISSC as part of the annual certification exercises and continues to be PCIDSS compliant on the latest 3.2 version. In addition, the Company's overseas subsidiaries in the Philippines and Thailand were both certified PCIDSS version 3.2 compliant. The Company acknowledges that maintaining high information technology security controls is critical to its business operations and will continue to implement best practices embedded within the security standards.

c. Personal Data Protection Policy

The Group has implemented a Personal Data Protection Policy as companies within the Group processes personal data in the course of its business activities and operations, recognises the importance of protecting the rights and privacy of individuals and is committed to protecting the same. In preparing this Personal Data Protection Policy, the Board has taken steps to ensure conformity, to the extent possible, with the principles underlined in the Malaysian Personal Data Protection Act 2010.

7. Human Capital

a. Performance Appraisal & Employee Trainings

Annual appraisal system is implemented for the employees at all levels within the Group, enforcing dialogue between Management and subordinates for continuous improvement on employees' performance. Arising from this appraisal, training need analysis is performed to identify the required training for employees to address the areas of improvement identified.

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KEY INTERNAL CONTROL PROCESSES (cont'd)

7. Human Capital (cont'd)

b. Code of Ethics and Conduct

A set of Code of Ethics and Conduct setting out expected ethical standards and code of conduct has been established, which is binding on all employees in the Group, and is available at the official website www.ghl.com.

c. Whistle Blowing Policy

The Group has implemented a Whistle Blowing Policy which was updated in 2018 to provide an avenue for employees and all stakeholders; to report any suspected acts that are in breach of the Group's Code of Ethics and Conduct, internal policy and applicable laws or regulations in a confidential manner.

The Policy also guarantees an employee or stakeholder making a report of improper conduct in good faith shall not be subject to reprisal action or discrimination of any kind by the Company. The Board Chairman and ARC Chairperson are primarily responsible to ensure that all whistle blowing reports are properly followed up.

d. Anti-Bribery and Corruption Policy

The Board has reviewed and updated the Policy on acts of bribery and corruption in 2018, which provides the specific procedures or instructions regarding the appropriate actions needed to be undertaken in cases of suspected violations.

8. Insurance

Adequate insurance for major assets, building and machinery in all operating divisions and subsidiaries are in place to ensure the Group's assets are sufficiently covered against any calamity that will result in material losses to the Group.

9. Legal and Compliance

The compliance with laws and regulations is managed at the respective business unit level and monitored by the Group Legal and Compliance Department. The Group's Legal and Compliance Department also provides legal advisory and assists in the preparation and review of any legal documentation.

BOARD ASSESSMENT

The Board is of the view that the Group's overall risk management and internal control system is adequate and effective in all material aspects. Both the Group CEO and Group CFO have given the same assurance to the Board. The Board however recognises that risk management is an evolving process in a changing business environment and is committed to continuously monitor the adequacy and effectiveness and, where appropriate, enhancing the Group's risk management framework and internal control system.

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REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the said review procedures were performed in accordance with the Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountant. 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 management and internal control system. AAPG 3 also does not require the External Auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

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 respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

This statement is approved by the Board of Directors on 27 March 2019.