



Introduction

Newco Pte Ltd ("Newco") engaged Jacob Business Armour Pte Ltd ("J^aBA") on 12th October 2015 to conduct an assessment of its compliance with the corporate governance of Singapore, including SGX's Listing Rules, and also general management, finance and human resource functions. The Client requires a report attesting to its compliance status and listing out J^aBA's recommendation of actions to enhance its overall business risks.

JaBA applied a two pronged strategy in order to carry out a comprehensive exercise. These are (a) J^aRMIC, which consists of several sets of internal controls requirements based on local regulatory requirements and industry best practices for its business functions; and (b) J^aERM, an enterprise risk management ("ERM") programme, based on ISO 31000-2009 International Standards. The two approaches will identify any present process, operational, strategic and compliance risks.

At the conclusion of the exercise, reports (attached) have been prepared and discussed with your key managers.

1. Summary of Findings: Corporate Governance

- 1.1. There were altogether 51 internal control points applicable under this category.
- 1.2. Newco's risk rating (gross) at the commencement of the exercise was 'B'. After the exercise was completed, 138 treatment actions have been listed that would improved the final rating (net) to 'A'. The minimal acceptable net rating is either "a", "A", or "AA".
- 1.3. There were two (2) major control issues that we would like to highlight:
 - (a) The company IT servers room was found not sufficiently secured physically, which exposes the company to data security and confidentiality risks.
 - (b) The Internal Audit Report was not issued and effectively followed up. Neither was the Board/Audit Committee given any report by the Internal Auditor on remedial actions that are to be taken.
- 1.4. There were 21 points of internal controls identified for management action, amongst them are 6 that are considered 'high' in priority. These actions have been discussed with the respective staff involved and were agreed necessary to be undertaken.
- 1.5. When the identified actions are taken, all internal control points under the category "Corporate Governance" are satisfactorily addressed.

2. Summary of Findings: General Management

- 2.1. There are 60 control points applicable, to which Newco scored a gross rating at the commencement of 'b', and the net rating could be improved to 'AA', if the 28 identified treatment actions have been taken.

- 2.2 There was one issue that is of high concern. This pertained to succession planning of senior managers. The relationships with key business partners developed by existing managers might not be continued should they retire in the coming years. There were two treatment actions that have been agreed to be helpful to the situation.
- 2.3 When the listed management actions are taken, the general management function will be deemed comparatively of high level of proficiency.

3. Summary of Findings: Finance

- 3.1. Generally, the finance function is well run with some moderate risks. The department has earned a "B" gross rating basing on 159 control points. But with enhancement, it could improved to a "AA" net rating.
- 3.2 There are no real key issues. But there are some to be reviewed, e.g. cash-flow which is affected by uncertainty of sales and lethargic payments in current market sentiments, the recent increase in volatility of exchange rates, and slow stocks turnover. These are caused mostly by external factors; but notwithstanding, management should pay more attention to them.
- 3.3 When the 11 identified treatment actions are taken, the Finance function will meet with the requirement control requirements.

4. Summary of Findings: Human Resources

- 4.1. The HR function is facing more challenges that normal. It scored a gross rating of "C" based on 74 control points. From this, 32 treatment actions were identified that could help to improve its functional effectiveness, which is especially necessary in this tough business climate.
- 4.2 Many issues faced by the organization's HR function are predicated by relatively high turnover of its senior HR management staff. Unless there is stability in the department, it will be challenging to manage the organization's human capital.
- 4.3 Among 32 treatment actions, there are 17 high priority actions. There are some difficult to tackle issues owing to the current labour market, which have resulted in poaching by competitors and increased packages in the industry. We recommend that management put urgent attention to arrest this deteriorating situation.
- 4.4 If the treatment actions are taken, the net rating would improve to "a". This is still lower than normally acceptable, but this is the target to set for the current financial year leaving more improvement in subsequent years.

5. Concluding Summary

- 5.1. As regards compliance to regulatory requirements on corporate governance and listing rules, Newco is currently marginal, but after taking the risk treatment actions, it will be in full compliance.

5.2 In regards to improving business performance, the key functions: general management, finance and human resources play catalyst roles. There are obviously challenges, but the identified treatment actions will sharpen their effectiveness. These work sometimes painstaking, will take more than the current fiscal year to accomplish.

6. Conclusions

J^aBA would like to thank Newco Pte Ltd for this engagement of services. We express our gratitude to the management staff for their kind cooperation shown during the project.

We remain available if should you need further clarification or services from us.



Jacob Ngiam Tee Lim
Principal Consultant
Jacob Business Armour Pte Ltd

12th January 2016

Distribution

Mr Steve Wong, CEO, Newco Pte Ltd
Ms Helen Mah, CFO, Newco Pte Ltd



Jacob Business Amour Pte Ltd

Assessment for:	
Newco Pte Ltd	01-Jan-16
Organization: ListCo	Client Risk Manager : Johnson Tan, Newco
Industry: Banking	Attending Consultant: Jacob Ngiam, JaBA

MAS Internal Control

Date 15-Jan-16

Confidential

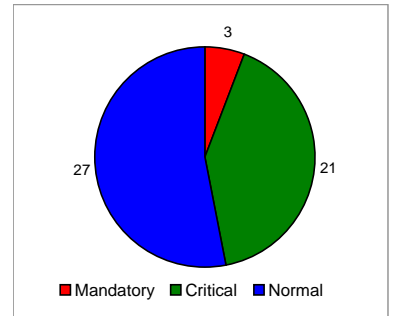
Gross Rating: B; Net Rating: A
Minimum Acceptable Score: Net Rating = 'A' or 'AA'

1 Category Details

There are 51 internal control points in this category, of which 51 are relevant to the organization.

These internal control points are extracted from: Code of Corporate Governance (May 2012), Guidelines for Risk Management Practices - Board and Senior Management (March 2013), and Guidelines for Risk Management Practices - Internal Controls (July 2014), all of which are issued by the Monetary Authority of Singapore ("MAS").

There are classes of internal controls: Mandatory, Critical and Normal. Mandatory, of which there are 3 in this category, are those that can render the organisation's internal control system unacceptable. Critical (21) are those that will make for good governance, while Normal 27 are industry practices that enhance operational effectiveness of the organization.



2 Risk Management on Internal Controls

(a) **Gross Rating** shows the risk status of existing internal controls.

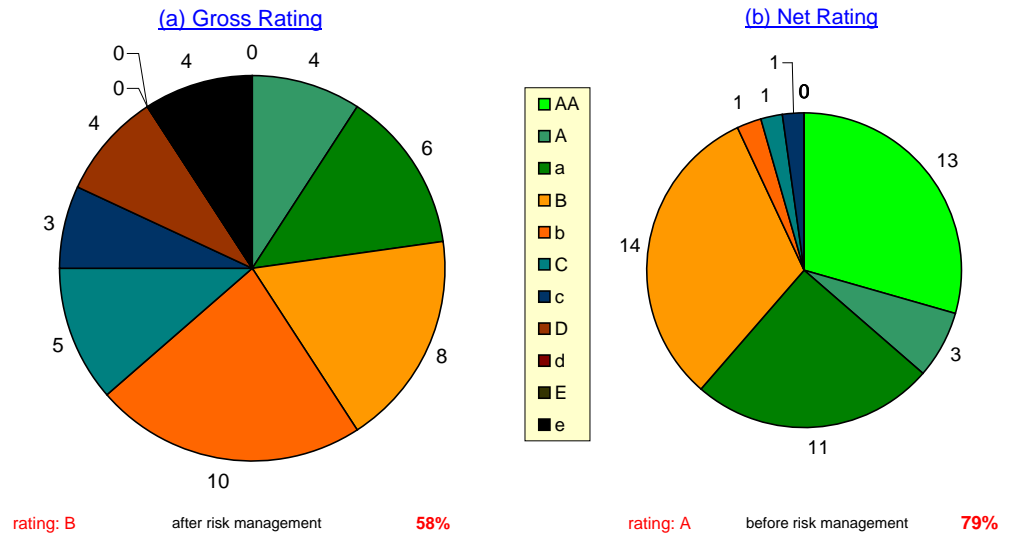
With an existing Gross Rating of 58%, the system is definitely unacceptable,"

(b) **Net Rating** shows the status after management treatments are taken.

With risk management, Net Rating is improved to 79%, which shows that the system still needs improvements

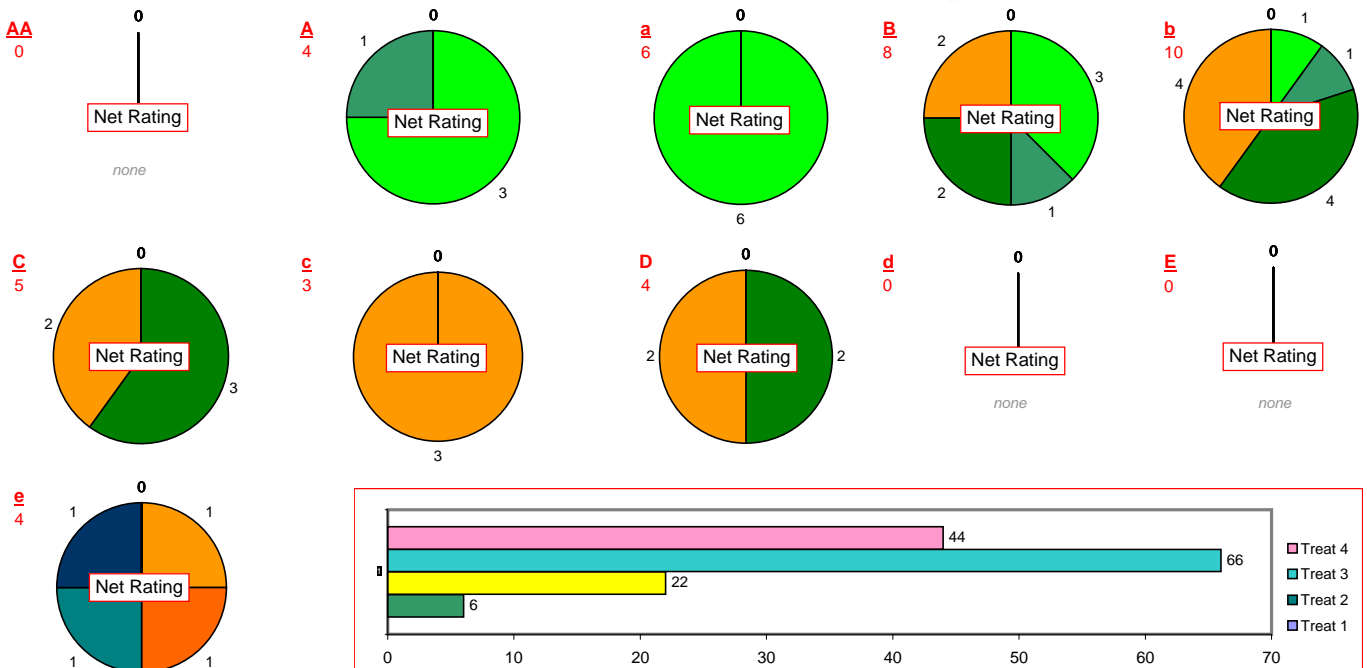
Post Treatment Rating

You have 64% in 'A' ratings, which is not acceptable. There are 36 points in 'B' rating, which is considered average but where possible to be converted to 'A' rating. There are also 4 points at or below 'C' rating, which is considered clearly unacceptable.



3 Improvements on Internal Controls

Gross Rating is shown in red, Net Rating is shown in pie-charts



4 Key Internal Control Issues		Gross	Net	Priority
C1	Is access to sensitive areas such as the dealing room, computer room and funds transfer area strictly granted on a need-to basis?	e	B	Med
C2	Are items such as passwords, test keys, master IDs for SWIFT, cash and securities subjected to dual control and their access restricted to authorised personnel and recorded for proper accountability?	e	c	High
N3	Does the Board or its delegated authority exercise oversight of the management of the compliance function?	e	b	Med
N4	Are reward and compensation policies, especially for the risk management, internal control and senior management functions, sufficiently independent of the performance of trading activities or revenue targets?	e	C	Low
C5	Has the Internal Audit function appropriate independence with reporting lines to the institution's Board or to an audit committee of the Board, and has status within the institution to ensure that senior management reacts to and acts upon its recommendations?	D	B	High
C6	Are the internal auditors kept informed in a timely manner of any material change made to the institution's risk management strategy, policies or processes?	D	B	High
C7	Are compliance officers empowered to communicate directly with any personnel and have access to all information necessary to discharge their responsibilities?	D	a	High
N8	Compliance shortcomings and/or violations are reported, and are addressed accordingly by involved persons or functions, and that such records kept for future reference.	D	a	Med
M9	Are there adequate monitoring systems to ensure that activities are properly authorised and that departures from the approved limit structure are promptly reported to the Board and senior management?	c	B	High
C10	Are audit reports timely and distributed to the appropriate senior management?	c	B	Med
N11	Are the internal auditors empowered to decline doing an audit or review if they believed it to be inconsistent with its terms of reference or with the strategy and audit plan approved by the Board?	c	B	Low
C12	Is the Internal Audit function in operation, and has it sufficient suitably trained and experience to carry out the audit function?	C	a	High
C13	The compliance function have access to the Board, CEO or any person so as to report on any situation pertaining to the organization governance requirements?	C	B	Med
N14	The Internal Audit function employs reliable methodology that identifies material risks that the institution is exposed to.	C	a	Low
N15	Do the internal auditors perform follow-up activities to ensure that the audit findings have been satisfactorily addressed, or else to take further action?	C	a	Low
N16	Is there a new product policy to ensure that risks inherent in new business lines or activities are properly assessed?	C	B	Low
C17	Internal Audit should have full access to and communication with any member of staff as well as full access to records, files or data of the institution and of its affiliates, whenever relevant to the performance of its duties.	b	A	Med
C18	Internal Audit should have full access to and communication with any member of staff as well as full access to records, files or data of the institution and of its affiliates, whenever relevant to the performance of its duties.	b	a	Med
C19	Are there sound customer due diligence policies and procedures in place?	b	B	Low
N20	Is the Internal Audit team given power to initiate a review of any area or any function consistent with its terms of reference, without any person vetoing it?	b	a	Low
N21	Are the staffs responsible for accounting and record-keeping functions independent of front-office activities?	b	B	Low

<u>IC No</u>	<u>Crit</u>	<u>Area</u>	<u>Concern</u>	<u>Treatment</u>	<u>IC Owner</u>	<u>Last Review</u>	<u>Gross</u>	<u>Net</u>
1	M	Policies and Procedures	Are there adequate monitoring systems to ensure that activities are properly authorised and that departures from the approved limit structure are promptly reported to the Board and senior management?	4	Amurugam N.	15-Jan-16	c	B
2	C	Policies and Procedures	Internal Audit should have full access to and communication with any member of staff as well as full access to records, files or data of the institution and of its affiliates, whenever relevant to the performance of its duties.	3	James Lim	15-Jan-16	b	A
3	M	Code of Conduct	Key and senior staff, particularly HoDs and those holding important job functions should be competent to carry out their work responsibilities.	2	Tan Wee Tee	15-Jan-16	B	B
4	C	Delegation of Authority	Is the Internal Audit function in operation, and has it sufficient suitably trained and experience to carry out the audit function?	1	Helen Mah	15-Jan-16	C	a
5	C	Delegation of Authority	Has the Internal Audit function appropriate independence with reporting lines to the institution's Board or to an audit committee of the Board, and has status within the institution to ensure that senior management reacts to and acts upon its recommendations?	3	Steve Wong	15-Jan-16	D	B
6	C	Segregation of Duties	Internal Audit should have full access to and communication with any member of staff as well as full access to records, files or data of the institution and of its affiliates, whenever relevant to the performance of its duties.	4	Yong Eng Fun	15-Jan-16	b	a
7	N	Competency and Resources	The Internal Audit function employs reliable methodology that identifies material risks that the institution is exposed to.	2	Liew Koo Chong	15-Jan-16	C	a
8	M	Internal Audit	The Internal Audit team prepares an audit plan, which is reviewed regularly, based on its own assessment and allocates its resources accordingly.	2	Liew Koo Chong	15-Jan-16	B	AA
9	N	Internal Audit	Is the Internal Audit team given power to initiate a review of any area or any function consistent with its terms of reference, without any person vetoing it?	2	Liew Koo Chong	15-Jan-16	b	B
10	C	Internal Audit	Are the internal auditors kept informed in a timely manner of any material change made to the institution's risk management strategy, policies or processes?	2	Liew Koo Chong	15-Jan-16	D	B
11	C	Internal Audit	Are audit reports timely and distributed to the appropriate senior management?	1	Liew Koo Chong	15-Jan-16	c	B
12	N	Internal Audit	Do the internal auditors perform follow-up activities to ensure that the audit findings have been satisfactorily addressed, or else to take further action?	2	Liew Koo Chong	15-Jan-16	C	a
13	C	Internal Audit	Does the Audit Committee monitor and track actions taken to address audit findings, and ensure effective and timely response by senior management?	4	James Lim	15-Jan-16	a	AA
14	N	Internal Audit	Are the internal auditors empowered to decline doing an audit or review if they believed it to be inconsistent with its terms of reference or with the strategy and audit plan approved by the Board?	3	Steve Wong	15-Jan-16	c	B
15	C	Internal Audit	Is there a senior management person or an appropriate unit appointed to oversee all compliance issues within the organization?	4	Tan Kong Lye	15-Jan-16	B	A
16	N	Internal Audit	Compliance shortcomings and/or violations are reported, and are addressed accordingly by involved persons or functions, and that such records kept for future reference.	2	Yong Eng Fun	15-Jan-16	D	a
17	C	Internal Audit	The compliance officer/s should be suitably trained, equipped with relevant experience and be vested with sufficient authority within the institution to perform his/their role effectively.	1	James Lim	15-Jan-16	a	AA
18	N	Internal Audit	Does the Board or its delegated authority exercise oversight of the management of the compliance function?	2	Tan Kong Lye	15-Jan-16	e	b

JaRMIC Category Report		Newco Pte Ltd		Cat Gross: C	Cat Net: B	MAS Internal Control		
IC No	Crit	Area	Concern	Treatment	IC Owner	Last Review	Gross	Net
19	C	Compliance	Are compliance officers empowered to communicate directly with any personnel and have access to all information necessary to discharge their responsibilities?	3	Steve Wong	15-Jan-16	D	a
20	C	Compliance	The compliance function have access to the Board, CEO or any person so as to report on any situation pertaining to the organization governance requirements?	4	James Lim	15-Jan-16	C	B
21	C	Compliance	Is there a policy on mandatory leave for staff who are involved in risk-taking, risk management and risk control positions?	3	Harold Ding	15-Jan-16	B	a
22	C	Compliance	Are there adequate procedures for recording, investigating, monitoring and reporting complaints from customers?	2	Liew Koo Chong	15-Jan-16	a	AA
23	N	Compliance	Are reward and compensation policies, especially for the risk management, internal control and senior management functions, sufficiently independent of the performance of trading activities or revenue targets?	3	Harold Ding	15-Jan-16	e	C
24	C	Compliance	Is an adequate screening process in place for recruiting senior staff with necessary experience and professional capabilities?	4	Susan Peh	15-Jan-16	B	AA
25	N	Mandatory Leave	Are staff generally provided with adequate training, and do they possess necessary experience and expertise to carry out their work responsibilities?	3	Susan Peh	15-Jan-16	a	AA
26	N	Handling of Complaints	Are there policies on suitability and risk disclosure of products given to customers?	2	Michael See	15-Jan-16	A	AA
27	C	Staff Compensation	Are there sound customer due diligence policies and procedures in place?	1	Paul Jones	15-Jan-16	b	B
28	N	Recruitment	Are there appropriate controls for inactive and dormant accounts, including opening and closure of especially key or significant accounts?	2	Michael See	15-Jan-16	B	B
29	C	Staff Training and Education	Have the Board or senior management instituted policies and adequate controls to ensure that transaction documentation is properly executed, confirmed, maintained and safeguarded?	1	Helen Mah	15-Jan-16	a	AA
30	N	Dealing with Customers	Are there adequate controls over the accounting and record-keeping process?	2	Helen Mah	15-Jan-16	A	AA
31	N	Customer Due Diligence	Are the staffs responsible for accounting and record-keeping functions independent of front-office activities?	2	Anne Goh	15-Jan-16	b	B
32	N	Customer Due Diligence	Is an adequate management information system in place for effective management and control of all aspects of operations, including monitoring of compliance with internal controls and regulatory requirements, and providing reasonable assurance that these are being complied with?	2	Raymond Quek	15-Jan-16	b	B
33	N	Legal Documentation	Have the Board and senior management ensured that IT systems support and operational capacity are adequate to accommodate the different types of activities the institution engages in?	3	Lee Kok Wah	15-Jan-16	b	a
34	N	Accounting and Record Keeping	Are risk exposures independently and regularly reported to the Board and senior management? Is there a process to promptly inform the Board and senior management of changes, or of progressively deteriorating positions, even when limits are not exceeded?	1	Yong Eng Fun	15-Jan-16	b	a
35	C	Accounting and Record Keeping	Is access to sensitive areas such as the dealing room, computer room and funds transfer area strictly granted on a need-to basis?	2	Yong Eng Fun	15-Jan-16	e	B

JaRMIC Category Report		Newco Pte Ltd		Cat Gross: C	Cat Net: B	MAS Internal Control			
IC No	Crit	Area	Concern	Treatment	IC Owner	Last Review	Gross	Net	
36	C	Management Information Systems	Are items such as passwords, test keys, master IDs for SWIFT, cash and securities subjected to dual control and their access restricted to authorised personnel and recorded for proper accountability?	3	Helen Mah	15-Jan-16	e	c	
37	N	Management Information Systems	Are adequate controls in place for off-premises and after hours trading?	1	Michael See	15-Jan-16	A	A	
38	N	Management Information Systems	Is there a new product policy to ensure that risks inherent in new business lines or activities are properly assessed?	1	Paul Jones	15-Jan-16	C	B	
39	C	Physical Controls	Is there a process for the proper review and authorisation of variations to existing products?	2	Paul Jones	15-Jan-16	B	AA	
40	C	Physical Controls	Are the parameters used to govern products kept updated?	2	Paul Jones	15-Jan-16	A	AA	
41	N	Off-Premises and After Hours Trading	Are enhanced verification procedures established and applied to those statements and records of customers' holdings and transactions held under safe custody or hold mail facility?	0	Yong Eng Fun	15-Jan-16	b	AA	
42	N	New Products/ Business Lines/ Activities	Are verification and reconciliation processes for ascertaining the accuracy of transaction details and activities adequate?	2	Helen Mah	15-Jan-16	B	a	
43	N	New Products/ Business Lines/ Activities	Is confirmation of trades with customers performed independently of the dealing function and as soon as possible after trade execution?	3	Michael See	15-Jan-16	a	AA	
44	N	Valuation of Assets	Are enhanced verification procedures established and applied to those statements and records of customers' holdings and transactions held under safe custody or hold mail facility?	1	Yong Eng Fun	15-Jan-16	b	B	
45	N	Valuation of Assets	Are there procedures for validating funds transfer requests?	2	Tan Wee Tee	15-Jan-16	B	AA	
46	N	Verification and Reconciliation	Is periodic reconciliation of funds transfer records to correspondent banks' statements performed and are outstanding items promptly investigated and reviewed?	3	Tan Wee Tee	15-Jan-16	B	AA	
47	N	Confirmation	Is confirmation of trades with customers performed independently of the dealing function and as soon as possible after trade execution?	1	Michael See	15-Jan-16	C	a	
48	N	Confirmation	Are enhanced verification procedures established and applied to those statements and records of customers' holdings and transactions held under safe custody or hold mail facility?	1	Yong Eng Fun	15-Jan-16	B	a	
49	C	Settlement	Are there procedures for validating funds transfer requests?	2	Tan Wee Tee	15-Jan-16	B	a	
50	N	Settlement	Is periodic reconciliation of funds transfer records to correspondent banks' statements performed and are outstanding items promptly investigated and reviewed?	2	Tan Wee Tee	15-Jan-16	b	B	

Organization: **Newco Pte Ltd**

J^aRMIC Form

<u>Organization Profile</u>		<u>Risk Rating (gross basis)</u>		<u>Applicable?</u> Very Critical	MAS Internal Control Control Environment Policies and Procedures IC No: 1 Mandatory
Organization Type	ListCo	Financial	QA	<u>Comfort Level</u>	
Industry Type	Banking	People	QC		
IC Risk Manager:	Amurugam N.	Reputation	QB	Post-treatment Rating: B, Comfortable	
Date Conducted:	15-Jan-16	Governance	QC		

1 Requirement

Are there adequate monitoring systems to ensure that activities are properly authorised and that departures from the approved limit structure are promptly reported to the Board and senior management?

2 Concern

There should be a "Chart of Authority" or "Authority Manual" prepared for all major decisions. Departures from the approval limit structure should be promptly reported to the Board and senior management.

3 Treatment Action: Risky Conditions

	Risk Owner	Review Frequency	Last Review	Oversight by
Prepare and maintain a Manual of Authority, to be managed by the Company Secretary.	Amurugam N.	Annually	4/1/2016	Audit Committee

4 Treatment Action: Risk Trigger 1

	Risk Owner	Review Frequency	Last Review	Oversight by
Ensure that all new management staff read and understand the Manual of Authority.	Susan Peh	As and When	6/1/2016	HR Director

5 Treatment Action: Risk Trigger 2

	Risk Owner	Review Frequency	Last Review	Oversight by
Review the Manual of Authority once annually taking into consideration changes in business situations. Audit Committee to be copied review.	Amurugam N.	Annually	4/1/2016	Audit Committee

6 Treatment Action: Risk Trigger 3

	Risk Owner	Review Frequency	Last Review	Oversight by
Monitor situation, and investigate how deviations and also mistakes take place so as to take actions to prevent future occurrence.	Yong Eng Fun	As and When	7/1/2016	COO

7 Management Action

Approved by/Sign	Treatment Action Completed	Remarks / Follow-up Actions	Risk Owner's Signature/Date