

medine

**INTERNAL CONTROL
AND RISK GOVERNANCE**

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Internal Control

The system of internal control is designed to provide the Board of Directors (Board) with reasonable assurance that assets are properly safeguarded, that transactions are authorised and recorded and that material frauds and other irregularities are either prevented or detected within a reasonable period of time.

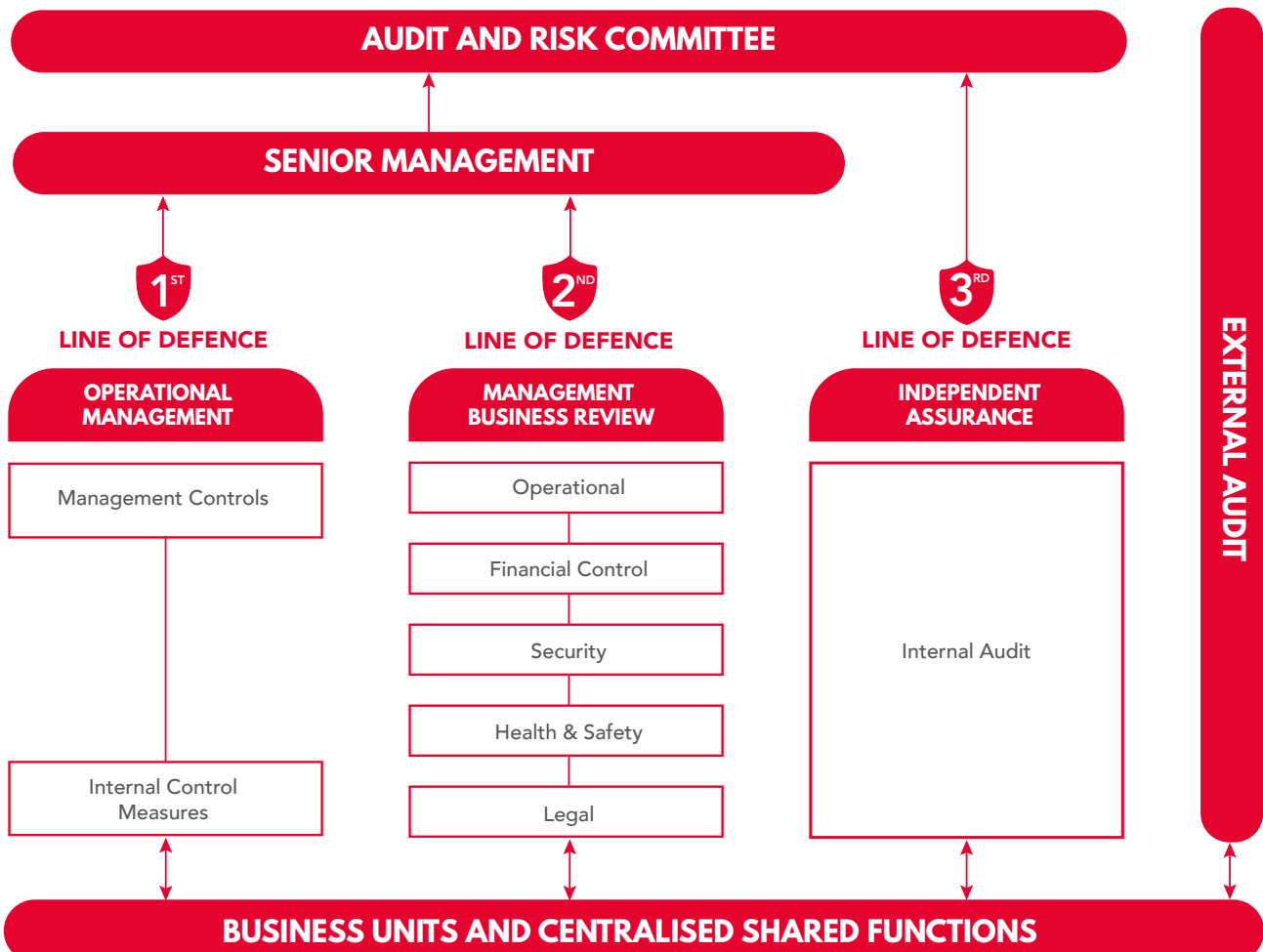
Responsibilities of Internal Control

The responsibility for the Group’s internal control system and risk management lies with the Board, which has delegated appropriate responsibilities to management. Management has a duty to put in place adequate internal controls that focus on managing the risks of implementing strategies and policies adopted by the Board and integrating them in the day-to-day operations.

In this context, the Medine’s Board has set up an Audit & Risk Committee (ARC) in 2005 and its main objectives are to review the existence and efficiency of internal control which reflects the size and diversity of the Group. The Board is able to receive assurance from the ARC that the fundamental areas of risk recognition and mitigation are adequately covered in a responsible manner.

Our lines of defence

The responsibilities of internal control is reflected in the adoption of the three lines of defence model, which integrates the management of risk in the structure is depicted below.



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Three lines of defence

ROLES OF THE THREE LINES OF DEFENCE			
PRIMARY STAKEHOLDERS	FIRST LINE	SECOND LINE	THIRD LINE
Senior management Governance body: <ul style="list-style-type: none"> • Board • Audit & Risk Committee 	Operational management: They own and manage risks	Risk Management & Assurance: They provide risk oversight	Independent assurance provided by the Internal audit function

A sound and effective system of internal control should comprise Three Lines of Defence:

The **First Line of Defence** consists of the front-line personnel responsible for the day-to-day operations and for ensuring that the risk and control environment is established.

The **Second Line of Defence** is provided by those who are responsible for defining and maintaining the risk management and compliance framework, and undertaking its own oversight of the First Line of Defence in its daily management of mitigating risks.

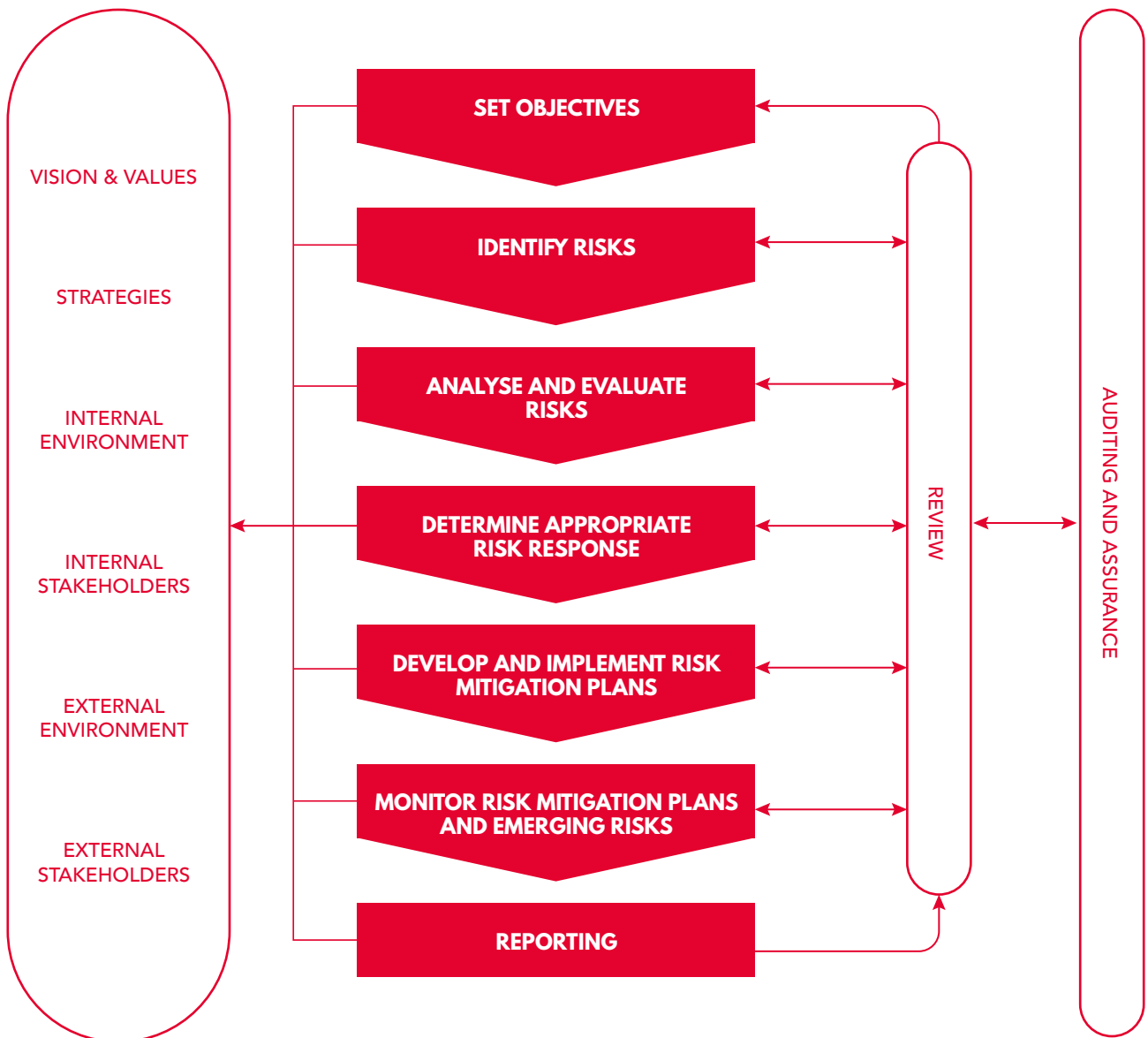
The **Third Line of Defence**, as the final line of defence, consists of the internal audit function, which reports directly to the Audit and Risk Committee.

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Risk Management Framework

Risk management is the process of identifying, assessing, evaluating, managing and mitigating risks in order to provide reasonable assurance of achieving the organisation's objectives.

Medine has adopted an integrated risk management framework and the process flow below provides an overview of its alignment to the characteristics of the organisation, the cyclical nature of monitoring, review and continuous process improvement. The role of internal audit function is to provide a continuous independent review and assessment of the adequacy and effectiveness of the risk management process.



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