

# Report of the Risk Management Committee

The Board is pleased to issue the following report on the Risk Management Committee and its activities during the financial year ended 31 December 2014.

## COMPOSITION OF RISK MANAGEMENT COMMITTEE AND MEETINGS

The Risk Management Committee comprises three (3) members, all of whom are Non-Executive Directors. The quorum for meetings of the Committee shall be two (2) members, who must include the Chairman provided that in the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can elect a Chairman from among themselves to chair the meeting. Any other Board members, the Group Managing Director and any other officer or person, as may be deemed necessary from time to time, may be invited to attend the meeting. The Secretary of the Committee shall be the Group Company Secretary.

A total of four (4) meetings were held during the financial year. The status of directorship and attendance record of each of the members during the financial year are as follows:-

Name of Directors and Status	No. of Meetings Attended
Dato' Azmi bin Mohd Ali Chairman, Non-Independent Non-Executive Director	4/4
Dato' Seri Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director	3/4
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director (Resigned w.e.f. 1 January 2015)	4/4

Following the resignation of Datin Paduka Kartini bin Hj. Abdul Manaf from the Committee, the Board has approved the appointment of Datin Paduka Siti Sa'diah binti Sh Bakir (Independent Non-Executive Director) as a member of the Committee with effect from 1 January 2015.

## TERMS OF REFERENCE

### Purpose

The purpose of the Risk Management Committee is to assist the Board of Directors in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks, in line with the Malaysian Code on Corporate Governance issued by Securities Commission and Bursa Malaysia Listing Requirements.

## Principles

- (i) CCM Group consciously takes measured amount of risks and manages these risks effectively to meet its long term goals and objectives.
- (ii) Risk Management is an integral part of the Group's business practice at all levels of the CCM Group.
- (iii) The Committee will keep under review the effectiveness of Group's Risk Management system, taking into account:-
  - The development and maintenance by management of a comprehensive Risk Management framework;
  - The Group's culture of Risk Management (including awareness, education and training for all levels of staff);
  - Feedback from the Management and the External Auditors on the effectiveness of Risk Management system;
  - Changes to the divisional risk profiles, arising from the material, financial and non-financial risks facing the divisions and/or any part of the CCM Group;
  - The impact and mitigation of significant risk events.

## Duties

Subject to any resolution of the Board, the duties of the Committee are to:-

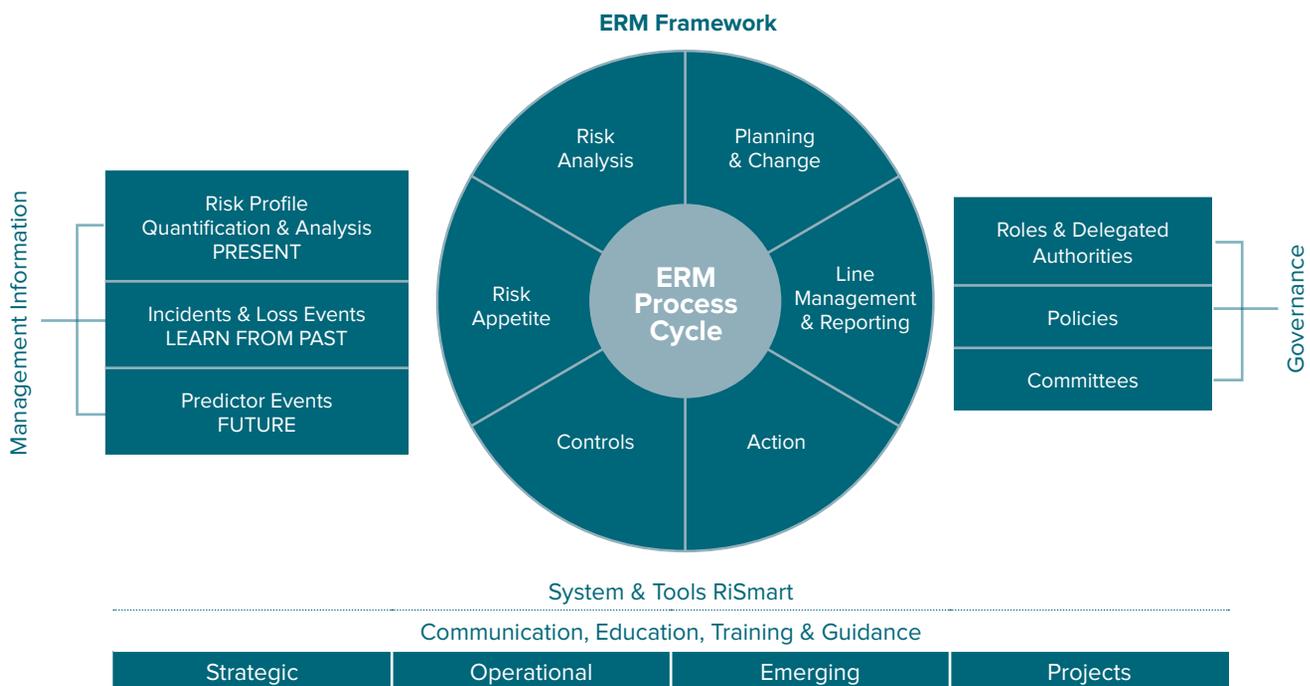
- (i) Set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to the management;
- (ii) Recommend to the Board the parameters of the CCM Group's risk-reward strategy, monitor the alignment of the Group's risk profile with the risk appetite and ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance;
- (iii) Monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the CCM Group's risk profile and provide report on the same to the Board for overall consideration on the Group's business and operations;
- (iv) Receive, review, scrutinise and provide commentaries on reports from the Executive Risk Management Committee ("ERMC") and/or Group Risk Department ("GRD") which have been duly reviewed/deliberated by the ERMC concerning:-
  - Risk Management policies, strategies, processes and controls, status of the implementation and effectiveness thereof, within the divisions and, if thought fit, approve or vary them;
  - Alignment or integration of risk management activities with other management activities/tools which include formulation of strategies, development of business plans, budgeting, forecasting and performance review, within the divisions;
  - Identification and management of enterprise risks which could impact the achievement of business objectives.

# Report of the Risk Management Committee

## RISK MANAGEMENT FUNCTION

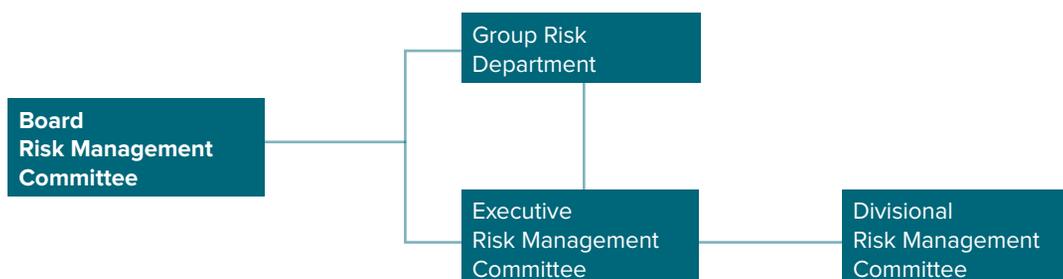
The Group's Board Risk Management Committee ("BRMC") is supported by an in-house risk management function i.e. Group Risk Department. GRD provides risk advisory and supports various risk committees in the Group in all matters of Enterprise Risk Management (ERM).

The ERM framework for risk management defines policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of current and historical risk information to anticipate probable future exposures. The framework ties into the Group's governance policies and guidelines via deliberations at various risk committees. The framework incorporates "RiSmart" which is an automated ERM tool for reporting and management of risks as well as continuous education and training for the Group. The framework operates within the context of Strategic, Operational, Emerging and Project risks categories.



The BRMC receives reports from the Executive Risk Management Committee (ERMC) which is chaired by the Group Managing Director and comprises Senior Management of the Group. The ERMC is assisted by the Divisional Risk Management Committees whose role is to identify, mitigate and manage risks within their businesses. The ERMC retains the overall risk governance responsibility and risk oversight of the Group and its subsidiaries. The ERM structure is summarised below:-

### Enterprise Risk Management Reporting Structure



The Group’s risk management process establishes the context of risk in relation to the Group and its various businesses. The process includes risk identification, analysis, evaluation and treatment with continuous monitoring, review, communication and consultation. Analysis of risks based on likelihood of occurrence and significance of their consequences is consistent with the Risk Ranking of an approved Risk Matrix.

**Risk Matrix**

		CONSEQUENCES →			
LIKELIHOOD ↑	High	High High	Extreme	Extreme	Extreme
	Moderate	High	High High	Extreme	Extreme
	Minor	Moderate	High	High High	Extreme
	Trivial	Moderate	Moderate	High	High High
	Trivial	Minor	Moderate	High	High High

GRD drives the implementation of the Business Continuity plan for the Group. Risk Coordinators are appointed at each business division to act as risk liaison.

## ACTIVITIES DURING THE YEAR

### Risk Reporting

Quarterly reports to Board Risk Management Committee (BRMC) highlight the Group’s Risk Profile to enable Board and Management to focus on, appraise and consider key risks affecting the Group’s businesses and operations and the system of internal control necessary to manage and mitigate such risks. The BRMC reviewed significant risks comprising Strategic, Operational and Emerging risk categories. The review included movements from Gross to Residual Risk Levels which monitors Management’s progress in implementing controls and assessing the effectiveness of measures addressing the sources of risk.

In summary, the range of risk issues deliberated for the Group during 2014 included revenue growth, working capital management, operational efficiency, business expansion through sales and marketing, sustainability, human capital development, employee engagement, strategic directions and regulatory compliance.

### ERM System

In 2014, risks were fully identified and reported by risk committees via the online ERM system “RiSmart”. Risk information is made available to risk owners and senior management with online accessibility and improves the efficiency, consistency and accuracy of reporting. The reporting captures updates of risk decisions made based on defined risk appetite, controls and treatment measures undertaken by risk owners. Audit trail report monitors risk reporting frequency of risk owners and the Risk Review function allows review of risks. Risk quantification and Key Risk Indicators (KRIs) were established within the online registers where Management is continually moving towards an integrated KPI and ERM management of risks.

### Code on Corporate Governance

The BRMC recognises the recommendations of the revised Malaysian Code of Corporate Governance 2012 (“MCCG”) in particular Principle 6.1: “Recognise and Manage Risk” ensuring the current Group’s ERM meets the objective of the said Code. The Group’s ERM framework built within the “RiSmart” system is based on ISO 31000, premised on international guideline for managing risk.

The “RiSmart” information system facilitates the Group’s ERM framework, methodology and processes to meet with the requirements of the MCCG.