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 2015.

COMPOSITION OF RISK MANAGEMENT COMMITTEE AND MEETINGS

The Risk Management Committee comprises of 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 appoint a Chairman among themselves to chair the meeting. Any other Board members, the Group Managing Director and any other officer or person as deemed necessary may be invited to attend the meeting. The Secretary of the Committee shall be the Company Secretary.

A total of six (6) meetings were held during the financial year. The status of directorship and attendance record of each of the members during the financial year were as follows:-

Name of Directors and Status	No. of Meetings Attended
Dato' Azmi bin Mohd Ali Chairman, Non-Independent Non-Executive Director	6/6
Dato' Seri Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director	6/6
Tan Sri Siti Sa'diah binti Sh. Bakir Member, Independent Non-Executive Director	5/6

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; and
- 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; and

(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; and
- Identification and management of enterprise risks which could impact the achievement of business objectives.

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 Boards, Executive and Division Risk Committees in the Group in all matters of Enterprise Risk Management ("ERM").

The ERM framework defines the 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 operates within the context of Strategic, Operational, Emerging and Project risks categories.

ERM Framework
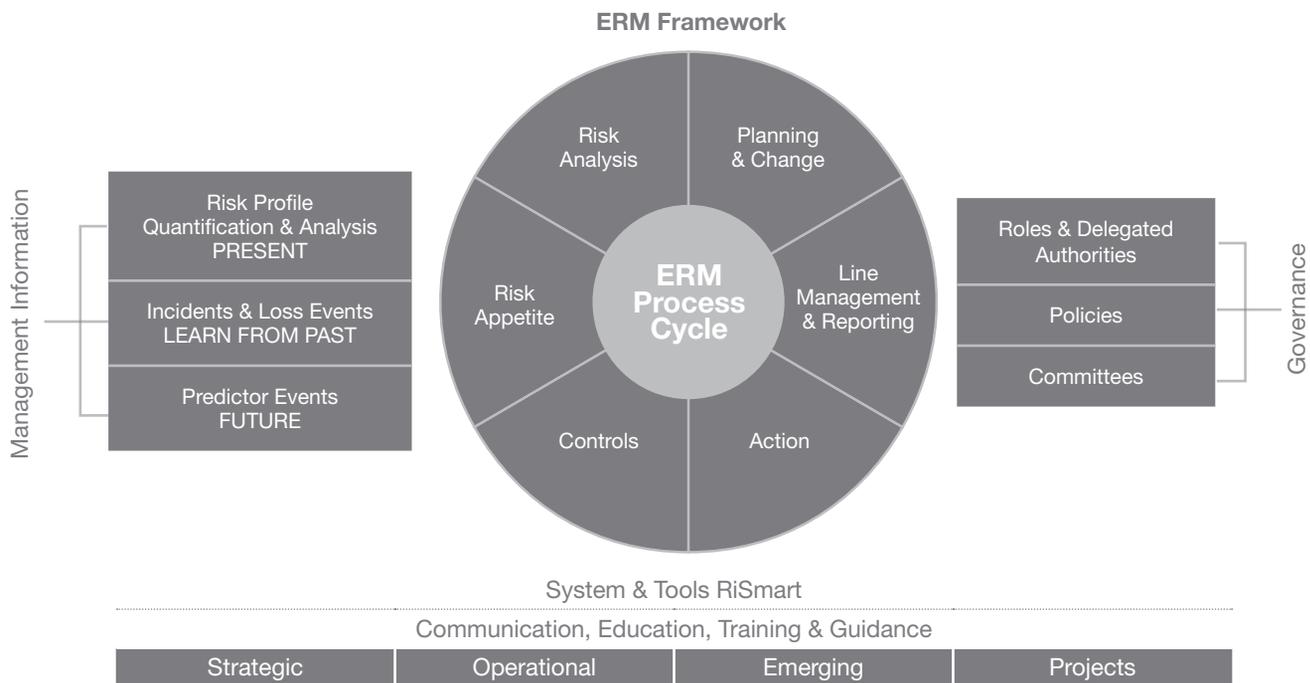
The BRMC receives reports from the Executive Risk Management Committee ("ERMC") which is chaired by the Group Managing Director and comprises Senior Management of the Group. The ERMC is assisted by the Divisional Risk Committees whose role is to identify, mitigate and manage risks within their businesses. 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 adopts ISO 31000 guidelines in its risk management processes, whereby the Group has established its external and internal context for its risk management activities, and conducted risk identification, analysis, evaluation and treatment, with continuous monitoring, review, communication and consultation. Risks events are analysed in terms of its likelihood of occurrence and significance of their consequences, where an approved Risk Matrix is used to ensure consistent practice throughout the Group.

Risk Matrix

LIKELIHOOD	CONSEQUENCES				
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

ACTIVITIES DURING THE YEAR

Risk Management Framework Review

In December 2014, the Group has carried out a review on its existing Risk Management Framework. In order to further strengthen the Group's risk management framework and practices, the following three key initiatives were implemented throughout 2015:-

1. **Strengthening the Policy**

    A Risk Management Manual and Guidelines ('RMMG') document was formalised as the main reference document for risk management activities within the Group. The RMMG is a consolidation of previously approved Risk Management guidelines documents mainly the policy, framework, governance structure, responsibilities, risk management process and the risk management tools. Revisions were made on the Group's Risk Appetite to reflect the current operating environment and this revision has also been incorporated into the RMMG.

2. **Elevating Understanding on Risk Management**

    A formalised Risk Assessment Workshops were conducted for all divisions to ensure appropriate coverage of risk identification, analysis, evaluation and treatment within the Group. As a result, comprehensive risk registers were developed and these were linked to the Group's KPIs for 2015.

    Risk management refresher trainings were carried out during the year, one (1) session for the Group's Board of Directors and Senior Management, and two (2) sessions for the line managers. The training aimed to provide the participants with the essential knowledge in risk management as well as to roll out the approved RMMG document to all employees.

3.   Culture Building

Risk management culture is continuously inculcated throughout the organisation through continuous monitoring and planned risk review sessions by GRD. Risk management programmes such as workshops and training sessions will be continuously carried out in the following years to ensure all employees are familiarised with the risk management culture as well as equipped with the required skills and knowledge.

4.   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 the top risks for the Group and its business divisions. The reports highlight the movements of risk ratings as well as the progress of treatment plans that were identified to mitigate the risks.

5.   Project Risk Assessment

To ensure the risk management process is integrated with other management activities such as formulation of strategies and development of business plans, all projects that require the approval from the Finance and Investment Committee ("FIC"), is now subjected to risk assessments, where the risk registers resulting from the assessment together with the mitigation plans are mandatorily tabled as part of the projects' proposals. Project risk updates post implementations of the projects are to be tracked and reported as part of the risk management reporting process starting next year onwards.

6.   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" in ensuring the current Group's ERM meets the objective of the said Code. The Group's ERM framework is based on ISO 31000, the international guidelines for managing risk.

An automated and online risk management information system ("RiSmart") is in place to facilitate the Group's ERM framework, methodology and processes.