

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 2018.

Composition of Risk Management Committee and Meetings

The Risk Management Committee comprises of four (4) members, all of whom are Non-Executive Directors.

During the financial year, there were changes to the composition of the Risk Management Committee. Following the resignation of Dato' Hajah Normala binti Abdul Samad who resigned from the Board and the Risk Management Committee of the Company on 5 July 2018, Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah, an Independent Non-Executive Director was appointed as a member of the Risk Management Committee on 28 August 2018 to replace Dato' Hajah Normala binti Abdul Samad. Subsequently, Puan Amizar binti Mizuar was also appointed as additional member of the Risk Management Committee on 13 November 2018.

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

Name of Directors and Status	No. of Meetings Held
Dato' Azmi bin Mohd Ali Chairman, Non-Independent Non-Executive Director	4/4
Dato' Seri Ir. Dr. Zaini bin Ujang Member, Independent Non-Executive Director	3/4
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah Member, Independent Non-Executive Director (Appointed w.e.f. 28 August 2018)	1/1
Amizar binti Mizuar Member, Non-Independent Non-Executive Director (Appointed w.e.f. 13 November 2018)	Not Applicable
Dato' Hajah Normala binti Abdul Samad Member, Non-Independent Non-Executive Chairman (Resigned w.e.f. 5 July 2018)	Not Applicable

ACTIVITIES DURING THE YEAR

Risk Reporting

Quarterly reports to RMC highlighting 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 RMC 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.

The top risks for 2018 are in the following areas:

(i) Operational Risk

The management of the operational risk (such as those relating to health and safety, production, distribution, compliance) is closely monitored by respective Risk Owners, with risk mitigation plans proposed and implemented. Risk awareness workshops are conducted to create a risk-awareness culture, which will ensure greater understanding of the importance of risk management and ensure that its principles are embedded in key operational processes. The workshops provide reasonable assurance that significant risks are identified and addressed. In total two (2) risk workshops were conducted which covers the Corporate Office and the Chemicals business.

(ii) Project Risk

All projects that require the approval from the Finance and Investment Committee ('FIC'), is 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 tracked and reported as part of the risk management reporting process.

(iii) Competition Risk

The Group continue to review current business status against its competitors and market. Strategies are developed, reviewed and updated to ensure its relevance in maintaining CCM's competitive position. These strategies are explained in the Statement on Risk Management and Internal Control.

(iv) Financial and Liquidity Risk

The Group is exposed to various financial risks relating to credit, liquidity, foreign currency, interest rates and exchange rates. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements.

(v) Culture Building

Risk management culture is continuously inculcated throughout the organization through continuous monitoring and planned risk review sessions by the Group Risk Management Unit. An assessment on the Group's risk maturity was conducted in May 2018.

(vi) Emerging Risk Monitoring

The annual Global Risk Report provides the insights into the emerging risks for continuous assessment and monitoring. This assessment highlights the emerging risks that may have impact on the Group's businesses and operations to enable Management to proactively develop internal controls necessary to manage these risks. The emerging risk that had been identified to have potential impact on the Group are 'Extreme Weather', 'Water Crisis' and 'Cyber Attack'. Controls have been developed to mitigate these risks.

(vii) Review on Specified Matters

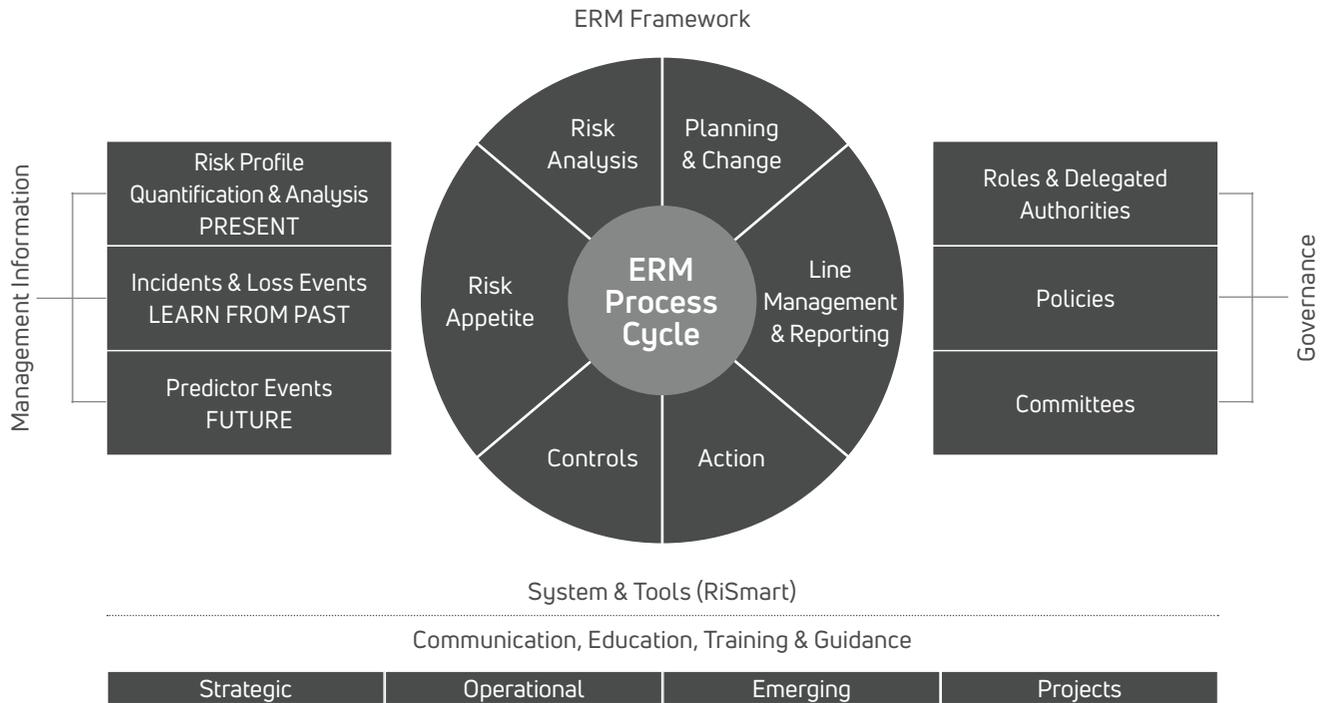
Group Risk Management had initiated review of the state of compliance to Department of Environment (DOE) Act to benchmark against industry best practice and to counter/mitigate any potential risks that may arise.

RISK MANAGEMENT FUNCTION

The Group's Risk Management Committee ("RMC") is supported by an in-house risk management function, which resides in the Group Risk, Integrity and Assurance Department. The Group Risk Management Unit (GRM) provides risk advisory and supports various Boards, Executive and Division Risk Committees' 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.

Report of the Risk Management Committee



The RMC 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:



The Group adopts ISO31000 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

		CONSEQUENCES				
		High	High High	Extreme	Extreme	Extreme
LIKELIHOOD	High	High	High High	Extreme	Extreme	Extreme
	Moderate	Moderate	High	High High	Extreme	Extreme
	Minor	Minor	Moderate	High	High High	Extreme
	Trivial	Trivial	Moderate	Moderate	High	High High
	Trivial	Trivial	Minor	Moderate	High	High High