

# Report of the Risk Management Committee

*The Board is pleased to issue the following report of the Risk Management Committee and its activities during the financial year ended 31 December 2011.*

## COMPOSITION OF RISK MANAGEMENT COMMITTEE AND MEETINGS

Following the separation of functions between the audit and compliance and risk functions, a

Risk Management Committee was established on 10 January 2011 to focus solely on the risk management functions within the Group.

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 Group Company Secretary. The current composition of the Committee stands at three (3) members.

A total of seven (7) meetings were held during the 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 (appointed as Chairman w.e.f. 10/01/2011)	7/7
Professor Dato' Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	6/7
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	7/7

## 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 the 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:-

- set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to the management;
- 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;
- 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;
- receive reports from the Executive Risk Management Committee (ERMC) and/or Group Risk Management Department (GRMD) 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.

### STATEMENT ON RISK MANAGEMENT FUNCTION

The Group has an in-house risk management function which is performed at the Group level. The key risks which are identified through the risk management process are reported to the Senior Management and Board Committee referred to as the Executive Risk Management Committee and the Risk Management Committee of the Board. This enables the Risk Management Committee to focus on the key risks inherent in the Group's business and operations and the system of internal control necessary to manage such risks.

### ACTIVITIES DURING THE FINANCIAL YEAR

The Group Risk Management function has conducted various operational, strategic and related assignments in accordance with the approved Risk Management Programme for 2011. These include review and update of the business division's key strategic risk profiles, various operational risk registers, including those for the regional offices, and risk assessment of the fertilizer plant in Bintulu, Innovative Group and pharmaceutical Klang production. Special project assignments cover a wide spectrum of risk-based issues impacting both the current and potential future businesses.

In enhancing the ERM framework, the Group has aligned its structure, processes and methodologies to the ISO 31000 guidelines on managing risks. This includes quantification of risks, review of CCM Risk Universe and adopting a KPI linked risk reporting. These processes and methodologies are being automated using an Enterprise Risk Management information system (RISmart) within the Group for a more effective and timely management reporting.