

Responsibilities (cont.)

- review and endorse the audit charter which outlines the purpose, authority, and responsibility of the Group Internal Audit Department;
 - review the annual budget for the Group Internal Audit Department;
 - review any appraisal on performance as well as competency of the Group Internal Audit Department;
 - approve any appointment or termination of senior staff members of the Group Internal Audit Department; and
 - take cognisance of resignations of members of the Group Internal Audit Department and provide the resigning staff member an opportunity to submit his reasons for resigning.
- vii. To review any related-party transactions that may arise within the Group;
- viii. To review the major findings of internal investigations and management's response; and
- ix. To consider other topics as defined by the Board.

Activities During the Year

- i. Reviewed and approved the internal audit and risk management plan of the Group.
- ii. Reviewed the status report of internal audit and risk management activities of the Group for the year to ensure that all the planned activities were properly carried out.
- iii. Reviewed the summary of the internal audit and risk assessment reports prepared by Group Internal Audit Department and monitoring the status of corrective actions taken by the Management to ensure all audit and risk management issues and concerns are adequately resolved on a timely basis.
- iv. Reviewed the Group Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Group.
- v. Reviewed the management letters, reports and fees of the external auditors.
- vi. Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fees.

- vii. Reviewed the quarterly and annual reports of the Group prior to the submission to the Board for consideration and approval.
- viii. Reviewed the related party transactions entered into by the Group and the disclosure of such transactions in the annual report and circular on recurrent related party transactions.

Statement on Internal Audit Function

The Group has an in-house Group Internal Audit Department whose principal responsibility is to undertake regular and systematic audit assessments on the operations of the CCM Group of Companies so as to provide reasonable assurance that such internal control systems are adequate and continue to operate effectively and efficiently in achieving the objectives of the Group.

The total expenditure incurred for the Group Internal Audit Department for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is estimated at RM1.4 million.

The Group Internal Audit Department had conducted various operational audits, follow up audits as well as ad-hoc assignments for the CCM Group of Companies in accordance with the Audit Committee approved Audit Plan for 2008. Among the areas covered were Finance, Logistic & Distribution, Maintenance, Sales and Marketing, Quality Assurance, Legal, Corporate Affairs, Quality Control, Procurement, Human Resources, Good Manufacturing Practices and Plant operations of CCM Berhad, CCM Fertilizers Sdn Bhd, CCM Chemicals Sdn Bhd, CCM Pharmaceuticals Sdn Bhd, CCM Duopharma Biotech Berhad and also oversees regional operations in Indonesia, Singapore, Thailand, Vietnam and Philippines.

Report of the Government-Linked Companies Transformation Committee

The Board is pleased to issue the following report on the Government-Linked Companies Transformation (GLCT) Committee and its activities during the financial year ended 31 December 2008.

Terms of Reference**Objectives**

- i. To provide high level advisory and monitoring of GLC (Government-Linked Companies) Transformation in CCM.
- ii. To evaluate and approve recommendations proposed by the Transforming Working Group (TWG).

Objectives (cont.)

- iii. To fully implement the ten initiatives as laid out in the GLC Transformation Manual by end of 2007.
- iv. To regularly update and report the progress of GLC Transformation to the respective Government-Linked Investment Companies (GLIC), in case of CCM, to report and update Permodalan Nasional Berhad every quarter.
- v. To consider other matters as referred to the Committee by the Board.

Members and Meetings

The GLCT Committee consists of four (4) members, all of whom are Non-Executive Directors.

A total of four (4) meetings were held during the year. The attendance record of each member during the year is as follows:

Name of Directors and Status	Number of Meetings Attended
Tan Sri Ab. Rahman bin Omar Chairman, Non-Independent Non-Executive Director	4/4
E. Sreesanthan Non-Independent Non-Executive Director	3/4
Dato' Kalsom binti Abdul Rahman (resigned from the Committee w.e.f. 1/10/2008 and reappointed w.e.f. 1/1/2009) Non-Independent Non-Executive Director	3/3
Mohd. Nizam bin Zainordin (appointed w.e.f. 11/5/2009) Non-Independent Non-Executive Director	N/A
Jamiah binti Abdul Hamid (resigned from the Committee w.e.f. 5/5/2009) Non-Independent Non-Executive Director	2/4

Activities During the Year

During the year, the Committee:

- i. Reviewed and approved the Group's GLC Transformation Plans for 2008.
- ii. Recommended for approval the 2008 Headline Key Performance Indicators (KPIs) for the Group.
- iii. Reviewed and approved the Quarterly Reporting to PNB on the progress of GLC Transformation in the Group.
- iv. Implemented the GLCT guidelines on the initiative for Enhancing Board Effectiveness, through the completion

of a Board Effectiveness Assessment and the formulation and implementation of a Board Improvement Plan.

- v. Tracked and monitored the progress of implementation for all GLCT initiatives and reviewed the results and benefits achieved for year 2008.

Report of the Nomination & Remuneration Committee

The Board is pleased to issue the following report on the Nomination & Remuneration Committee and its activities during the financial year ended 31 December 2008.

Terms of Reference**Objectives**

- i. To recommend to the Board of Directors, candidates for all directorships in the Company and Group to be appointed by the shareholders or the Board;
- ii. To recommend to the Board, directors to fill seats on Board Committees;
- iii. To consider candidates for directorships proposed by the Group Managing Director and, within bounds of practicability, by any other senior executive or any director or shareholder;
- iv. To evaluate the effectiveness of the Board and Board Committees with regard to their structure, size, balance and composition including the required mix of skills, knowledge, expertise, experience, professionalism, integrity including core competencies which non-executive directors should bring to the board, and contributions of each individual director;
- v. To evaluate the candidates' ability to discharge such responsibilities/functions as expected from non-executive directors, in the case of candidates for the position of Independent Non-Executive directors;
- vi. To provide adequate training and orientation to new Directors as well as continuous training to current Directors with respect to business, structure and management of the Group as well as the expectations of the Board;
- vii. To recommend to the Board whether Directors retiring by rotation should be put forward for re-election;
- viii. To ensure an appropriate framework and plan for Board and management succession in the Group;