

statement on risk management

Risk Management Framework

The Board of MNRB recognises that an effective risk management framework is essential for the Group in pursuit of its corporate objectives, in today's challenging market environment.

In line with the above, a dedicated Risk Management Committee of the Board (RMCB) has been established at every company within the Group with the objective to develop and oversee the implementation of the enterprise-wide risk management framework. Further, at the Management level, Operational Risk Management Committee (ORMC) was set-up to complement and assist the RMCB in ensuring a proactive risk management culture at both the enterprise-wide and operational levels.

RISK MANAGEMENT COMMITTEE OF THE BOARD (RMCB)

The RMCB's Terms of Reference are as set out below:

Objectives

The primary objective of the RMCB is to oversee the Senior Management's activities in managing the key risk areas of the company and to ensure that the risk management process is in place and functioning effectively.

Composition of the RMCB of MNRB

The members of the RMCB were appointed by the Board comprising at least three (3) Non-Executive Directors. The Chairman of the RMCB is an Independent Non-Executive Director appointed by the Board.

The members of the RMCB are as follows:

- Yusoff Yaacob - *Chairman*
- P. Raveenderen
- Datuk Mohd Khalil Dato' Mohd Noor

RMCB's Responsibilities

The RMCB is responsible for:

- i) Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
- ii) Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- iii) Ensuring adequate infrastructure, resources and systems are in place for an effective risk management; and
- iv) Reviewing the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Committee Meeting

The RMCB holds regular meetings, at a minimum once every quarter and reports regularly to the Board.

Quorum

The quorum for RMCB meetings consists of at least two (2) members, with one (1) being an Independent Director.

statement on risk management

Operational Risk Management Committee (ORMC)

The key role of the ORMC is to assist the RMCB in overseeing the management of operational risks. The ORMC is supported by the Risk Management Department in order to improve the operational risk management.

The Board believes that the success of risk management lies on collective responsibility and clear accountability. As such, the risk management framework of the Group is structured on the following basis:

- i) The Board is ultimately responsible for the management of risks. In this respect, the RMCB, on behalf of the Board, oversees the effective implementation of the risk management process within the Group, including the major areas of risk relating to underwriting, investments, credit and interest rates;
- ii) The Audit Committee complements the role of the RMCB by providing an independent assessment of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The Audit Committee is assisted by an independent Internal Audit Department in performing its roles;
- iii) The ORMC provides the necessary assistance to the RMCB in managing the risk management process; and
- iv) The individual department plays its role by implementing the risk management policies and ensuring that they are in compliance with the day-to-day operations.

Key Initiatives Undertaken

The Group has put in place the enterprise risk management framework for the effective and ongoing identification, evaluation, management and reporting of the Group's risks in compliance with the Bursa Malaysia Main Market Listing Requirements.

The Group has also completed an enterprise-wide level assessment of its current state of risk profile, which includes the following:

- i) Identification of key risks that may impede the Group from achieving its strategic objectives;
- ii) Identification of existing controls to mitigate key risks; and
- iii) Development of action plans to further reduce and better manage the key risks.

Further to the above, the following key activities have been completed to complement the enterprise-wide risk management framework:

- i) Cascading down the risk management process to the departmental level. In this respect, all the departments of the operating subsidiaries have implemented their departmental risk management process;
- ii) Installed a risk management enabler at all the departments for continuous self assessment of risks by the risk owners; and
- iii) Apply the risk management process prior to commencement of any major project or initiative.

The Group, having established the risk management framework, has therefore put in place a structured process for risk management and formal reporting between the risk owners, the Management, the RMCB and the Board.