

ENTERPRISE RISK MANAGEMENT FRAMEWORK

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With Sunway City Berhad (“SunCity”) emphasising on growing its business segments to achieve greater heights, enterprise risk management is utilised to identify all potential risks that needs to be addressed, to ensure that SunCity will be able to achieve its goal of continuous business growth.

SunCity embarked on risk management initiatives in December 2002, in line with the increasing focus of shareholders on Corporate Governance. In November 2003, the Board adopted the risk management oversight structure and risk management policy.

SunCity has an integrated enterprise risk management structure that enables identification, evaluation, monitoring and managing of all key risks pertaining to the business and its environment. SunCity strives to maximise every opportunity, and thus seeks to minimise all potential risks through proactive management.

RISK MANAGEMENT PROCESS

It is the Board’s view that SunCity’s objectives, its internal organisation and the environment in which it operates continuously evolve; and as a result, the risks that it faces also change. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which SunCity is exposed.

To ensure effective risk management within SunCity, the following risk management framework has been identified and implemented throughout SunCity. It is acknowledged that risks are very closely integrated with opportunities and returns, and thus has to be managed to ensure that SunCity is able to achieve its corporate strategy and objectives.

Below is a chart that depicts the basics of the Enterprise Risk Management Framework for SunCity.



ENTERPRISE RISK MANAGEMENT FRAMEWORK *(Cont'd)*

RISK MANAGEMENT STRUCTURE

Strategic and effective management of risks is performed through a centralised reporting and managing structure that has been put into place. Four (4) major levels have been identified to promote accountability and responsibility of managing risks within SunCity.



(a) Divisional Risk Management Committee (“DRMC”)

Divisional risk management is performed by the DRMC that works towards effective identification and mitigation of the day-to-day risks at the operational level. The management works closely with all operational staff and ensures that risk management techniques are applied and practised in all facets of the management and operations within the division. The DRMC is also responsible to highlight all foreseeable risks that could hinder the division from achieving its strategic objectives.

Risk reporting and management at the divisional level is integrated with the monthly management meetings of respective subsidiaries to ensure effective management.

(b) Enterprise Risk Review Committee (“ERRC”)

The ERRC consists of representatives from the DRMC, and also include the head of Group Internal Audit Division as the independent observer. The ERRC meets quarterly, where representatives from the respective divisions have the overall responsibility to report key risks to the attention of the ERRC.

In addition, the ERRC is responsible to deliberate on risks presented by different DRMC members and to contribute towards identifying new risks that are yet to be brought to the attention of ERRC by the respective division. Pertinent risk issues, with proposed resolutions are then identified and escalated to the Group Risk Management Committee.

(c) Group Risk Management Committee (“GRMC”)

The key responsibilities of the GRMC are to provide routine quarterly reporting and update the Board on key risk management issues as well as ad-hoc reporting and evaluation on investment proposals. The GRMC is also responsible to champion and promote the Enterprise Risk Management and to ensure that the risk management process and culture are embedded throughout SunCity.

(d) Board of Directors

The Board of Directors serves as an oversight to the risk management process of the entire Group. Roles of the Board include identifying principal risks of SunCity and ensuring the implementation of appropriate systems to mitigate and manage these risks. The Board through the GRMC, sets, where appropriate, objectives, performance targets and policies to manage the key risks faced by SunCity.