MGB Berhad ("MGB")

Enterprise Risk Management ("ERM") Framework
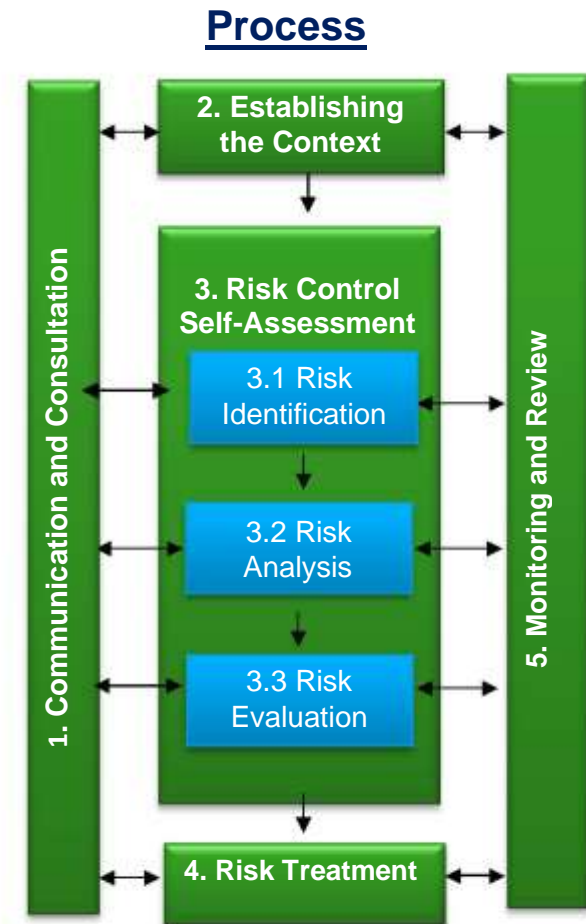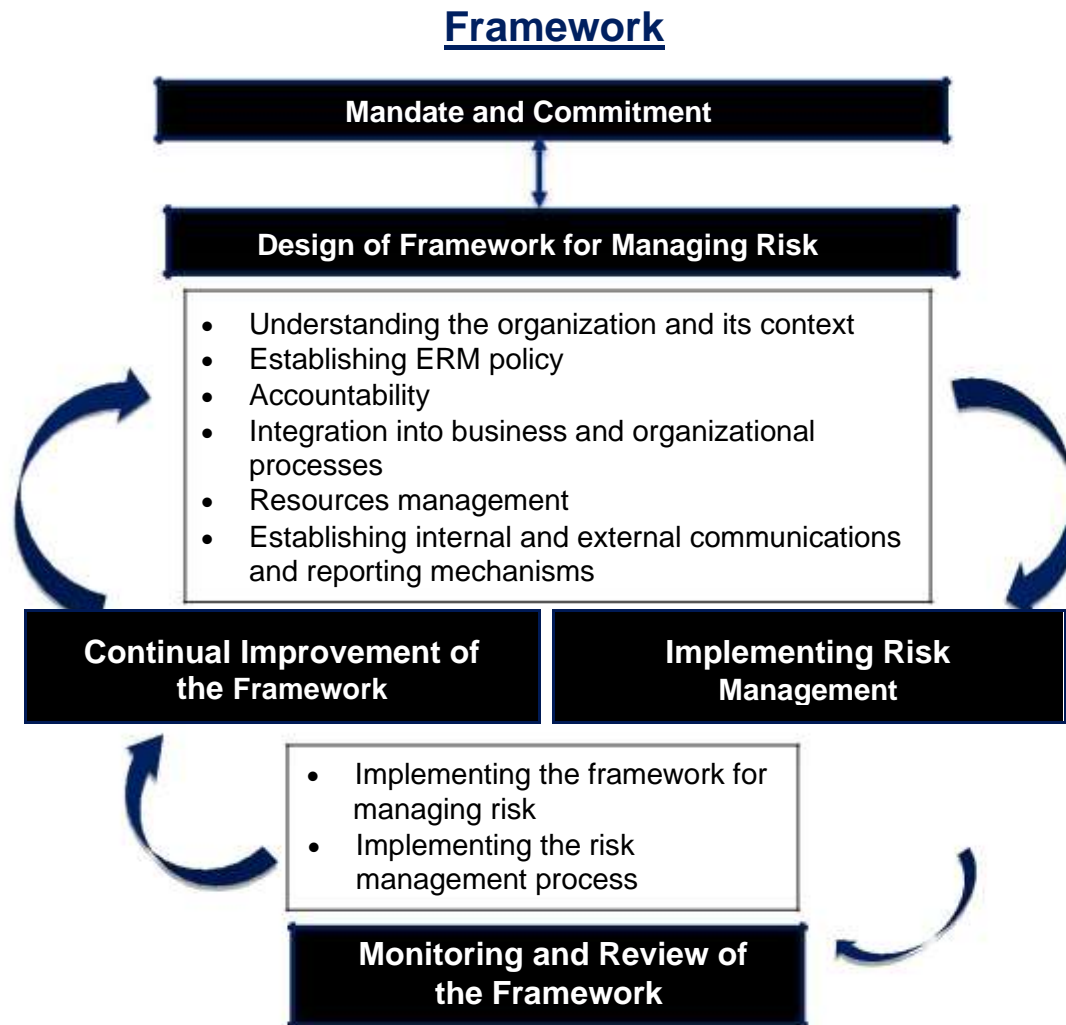
MGB ERM Architecture

Framework

Mandate and Commitment

Design of Framework for Managing Risk

- Understanding the organization and its context
- Establishing ERM policy
- Accountability
- Integration into business and organizational processes
- Resources management
- Establishing internal and external communications and reporting mechanisms

Continual Improvement of the Framework

Implementing Risk Management

- Implementing the framework for managing risk
- Implementing the risk management process

Monitoring and Review of the Framework

Process

1. Communication and Consultation

2. Establishing the Context

3. Risk Control Self-Assessment

- 3.1 Risk Identification
- 3.2 Risk Analysis
- 3.3 Risk Evaluation

4. Risk Treatment

5. Monitoring and Review
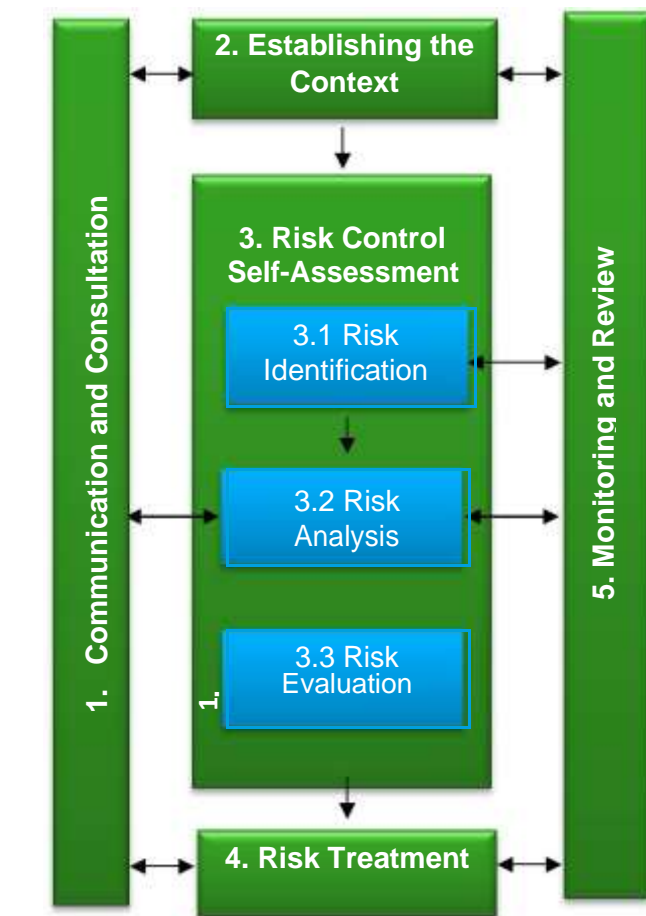
Note: The ERM Architecture is based on a globally recognized standard: ISO 31000: Risk Management, Principles and Guidelines

Risk Management Process

1. Communication and Consultation

Communication and consultation with external and internal stakeholders shall take place during all stages of ERM process.

2. Establish the context

Establishing context is about setting the parameters or boundaries around MGB's **Risk Appetite** and risk management activities.

3. Risk and Control Self-Assessment (RCSA)

RCSA is the overall process of risk identification, risk analysis and risk evaluation, as outlined below:

3.1 Risk Identification

Risk identification process seeks to detect and recognize risks that may prevent MGB from achieving its objectives. Risks identified will be documented in the **Risk Register**.

3.2 Risk Analysis

Each risk identified is subject for analysis of its likelihood and impact via the Risk Assessment activities conducted. The list of risks is then narrowed and refined based on the criticality of the risk.

3.3 Risk Evaluation

The effectiveness of the control mechanism needs to be evaluated in order to determine the residual rating for each individual risk. This can be performed via the **Assessment of Internal Controls**.

4. Risk Treatment

Risk treatment process involves identifying the range of options for treating risks, assessing these options, and the implementation priority of treatment plans.
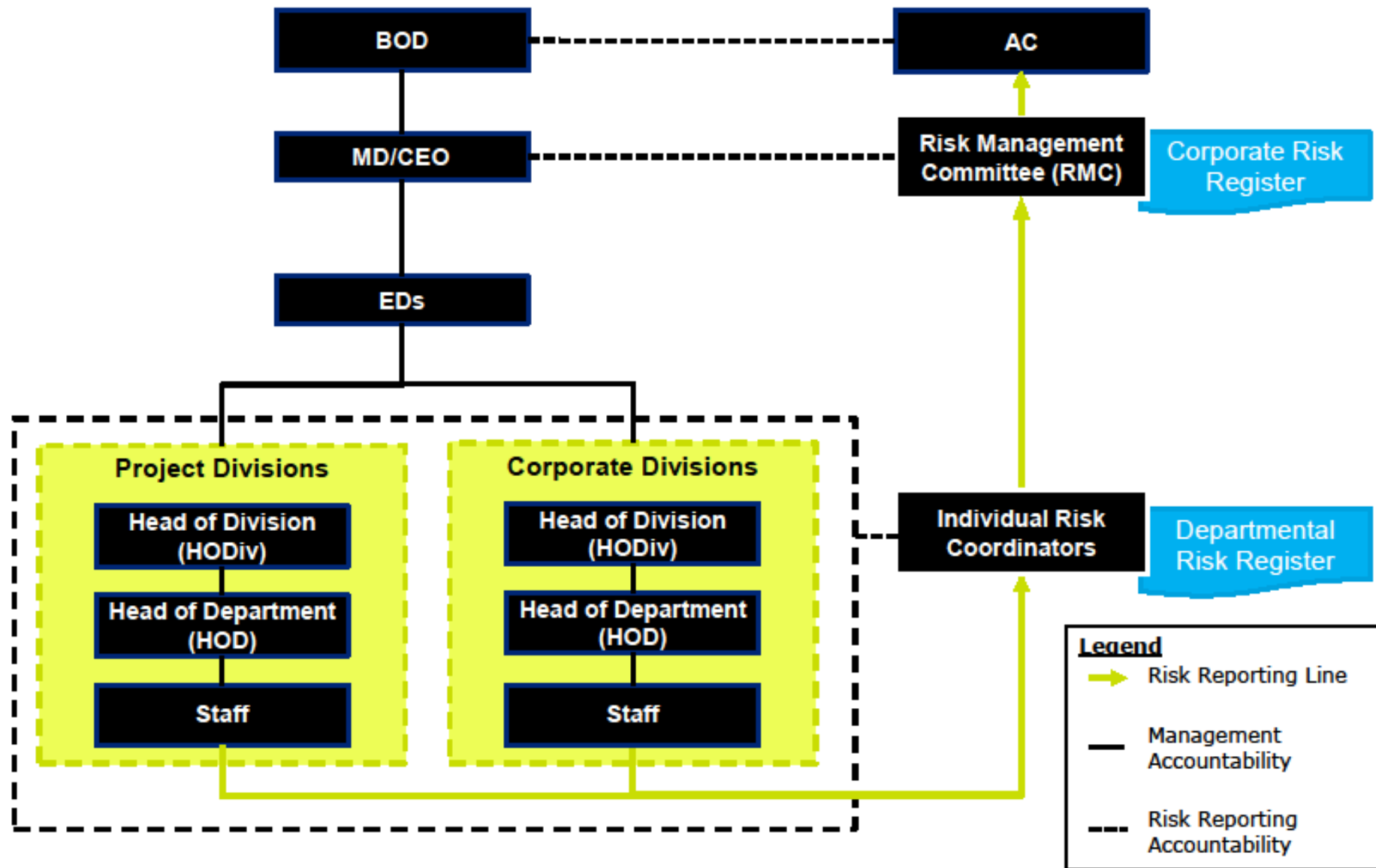
5. Monitoring and Review

Risks need to be identified, monitored and re-evaluated on a semi-annually basis and updated in the Risk Register. Approved Management Action Plans for risk treatment will be monitored to ensure that risks treatments are adequately implemented.

Risk Accountability Structure
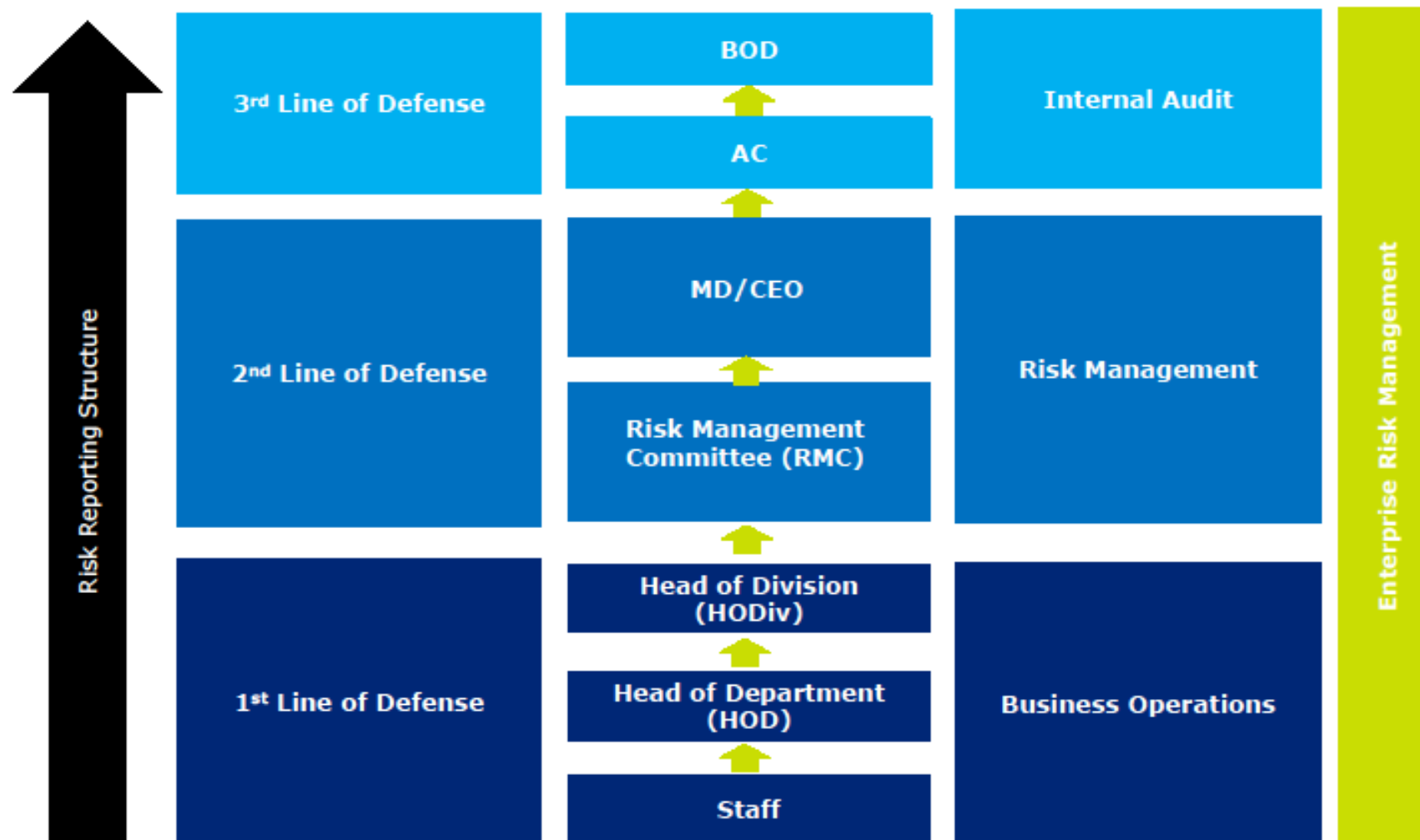
Risk Reporting Structure

Risk Likelihood

Likelihood	Level
Almost certain (continually experienced)	5
Likely (will occur frequently)	4
Possible (will occur several times)	3
Unlikely (unlikely but can reasonably expected to occur)	2
Rare (unlikely to occur but possible)	1

Risk Impact

Consequences	Level
Extreme (Disastrous business or project impact. Business or project survival is at risk.)	5
Major (Significant business or project impact. Operations severely affected.)	4
Moderate (Limited business or project impact. Reasonable time/resources required.)	3
Minor (Slight business or project impact. Some disruption possible.)	2
Insignificant (Negligible business or project impact. Minor issues easily handled by normal day to day processes.)	1

Risk Matrix		Consequences				
		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Likelihood	Rare	1	1	2	3	4	5
	Unlikely	2	2	4	6	8	10
	Possible	3	3	6	9	12	15
	Likely	4	4	8	12	16	20
	Almost certain	5	5	10	15	20	25

Risk Ranking		
Index	Rank	Score
H	HIGH	17 - 25
M	MEDIUM	9 - 16
L	LOW	1 - 8

MGB BERHAD
(FORMERLY KNOWN AS ML GLOBAL BERHAD)

RISK MANAGEMENT POLICY

Risk management is an integral part of the MGB BERHAD's (formerly known as ML Global Berhad) ("**MGB**") business and activities, and the extent to which the group is able to identify, assess, monitor and manage each of the various types of risk is critical to its soundness and profitability.

The Board acknowledges that all areas of the MGB and its subsidiaries' ("**Group**") activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to achieve its business objectives within defined risk parameters in a timely and effective manner.

It is the Board's view that the Group's objectives, its internal organization 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 the Group is exposed.

The Group's risk management is applied on an enterprise-wide basis, ensuring a consistent approach across the Group and continuous evaluation. The Board entrusts the Risk Management Committee ("**RMC**"), comprising the Executive Director(s) and a team of senior management, with the overall responsibility for overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies, identification and management of strategic business risks of the Group. The RMC is assisted by the respective Heads of Department who are responsible for the identification and management of operational risks at business divisions. New businesses/products/activities or entry into new markets are not embarked upon unless recommend by the RMC and approved by the Board.

Generally, the objectives of the Group's enterprise risk management framework are to:

- identify the various exposures and operational requirements;

- establish the policies and procedures to measure, monitor, manage and report these exposures, and to ensure that they are within the Group's risk profile as approved by the Board; and

- set out the appropriate responsibilities and structures required in the risk management process.