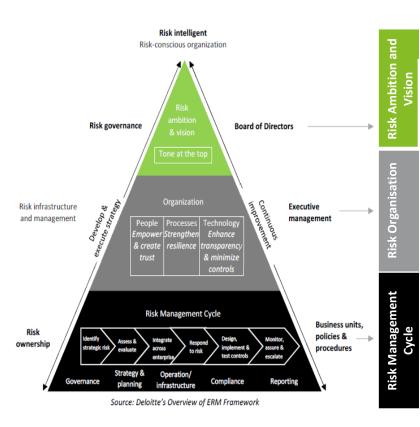
MGB Berhad ("MGB") Enterprise Risk Management ("ERM") Framework



MGB's ERM Architecture - Enhanced

The ERM Framework is based on three (3) key components of effective risk management where it is split further into 12 core building blocks of a successful Risk Management Function.

- **Risk Ambition and Vision:** Determine the nature and extent of the strategic risks that MGB is willing to take to achieve its objectives, led by the Board of Directors ("Board");
- Risk Organisation: Design, implementation, and maintenance of an effective risk management program, led by the Risk Management Working Group and Risk Management Committee ("RMC"); and
- Risk Management Cycle: Currently, MGB has implemented the risk management processes from identifying, evaluating, monitoring, managing significant risks and reporting on risks, led by the divisions/ departments. This process is reviewed by the Board, Audit Committee and RMC on a semi-annually basis. All the above-mentioned results are updated in the Risk Register.



Risk Governance Bodies: Creating the structure and oversight for risk to be effectively managed.

Risk Policies: Setting the tone and level of risk management applied across MGB.

Risk Culture: The values and behaviors that drive risk management in MGB.

Risk Appetite: Setting the level of risk MGB is willing to accept, within tolerances.

Risk Resources: The people and time that is applied to risks management, centrally and across Business Units.

Risk Procedures and Templates: Providing guidance and clear direction for all areas of MGB to perform risk management.

Risk Supporting Tools: Manual and automated tools leveraged to provide a better risk management process.

Risk Training: The support provided across the business to embed risk management.

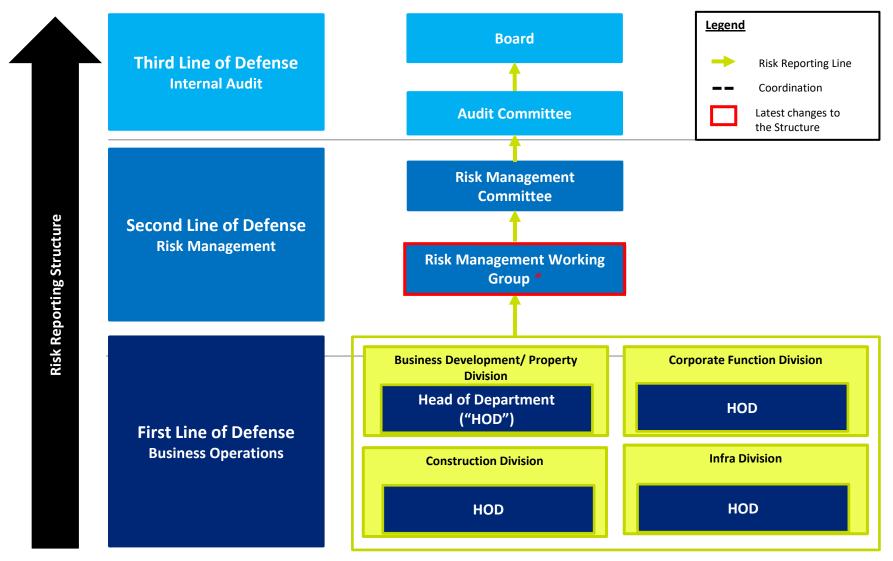
Risk Identification: Process of identifying risks and opportunities to business operations, financials and reputation.

Risk Measurement and Response: Evaluation of risk on a common scale, with implementation of appropriate response.

Risk Management: Ongoing management and evaluation of risk mitigations, controls and other responses to risk.

Risk Monitoring and Reporting: Monitoring of key risks indicators to assess likelihood of crystallisation and reporting of current risk environment.

Risk Governance Structure



^{*} The RMWG includes the Executive Director ("ED") & Chief Executive Officer ("CEO"), Deputy CEO, Chief Operating Officer ("COO"), Head of Department, i.e., Finance, Project (Office), Human Resource, Operation and Admin, Secretarial, Corporate Affairs and Risk Management Department) and Project Management Officer ("PMO"). The PMO coordinates the ERM exercise conducted by Deloitte.

Risk Likelihood

The risk likelihood measurement guideline has been improvised by revising its description and adding a guideline of potential occurrences within a year.

MGB's Existing Likelihood Measurements:

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

Enhanced Likelihood Measurements:

	Score	Description	Guideline (Potential Occurrences within a year)
5	Almost Certain	The risk is almost certain to occur	More than 20 times
4	Likely	High likelihood of occurrence	10 to 20 times
3	Possible	This risk may exist to happen but is not certain or probable	5 to 10 times
2	Unlikely	Conceivable, but low potential of occurrence	1 to 5 times
1	Rare	This risk may only occur in very exceptional circumstances.	Less than 1 time

Risk Impact

The risk impact measurement guideline has been improvised by splitting them into financial and non-financial impacts with quantitative and/ or qualitative measurements; i.e., Financial Losses, Reputation/ Brand, Operational Efficiency, Legal/ Regulatory and Stakeholders.

MGB's Existing Impact Measurements:

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

Enhanced Impact Measurements:

	Score	Financial Losses	Reputation / Brand	Operational Efficiency	Legal/ Regulatory	Stakeholders
1	Insignificant	Impact of< 0.5% Profit Before Tax ("PBT*") <rm100k legal="" liability="" penalty="" rm50k<="" th="" to="" up=""><th>No local publicity and local media coverage.</th><th>Business interruption of less than one (1) day.</th><th>No queries or Letter or eprimand issued by the Authorities. No fines or penalties is the Authorities.</th><th>and commitment. Insignificant impact to the</th></rm100k>	No local publicity and local media coverage.	Business interruption of less than one (1) day.	No queries or Letter or eprimand issued by the Authorities. No fines or penalties is the Authorities.	and commitment. Insignificant impact to the
2	Minor	Impact of 0.5% to 2.0% of PBT* RM100k to RM420k RM50K < Penalty/ Legal Liability < RM100K	Minor negative local publicity and local media coverage.	Business interruption between one (1) to three (3) days.	 Letter of reprimand is the Authorities. No fines or penalties is the Authorities. 	morale and commitment.
3	Moderate	Impact of 2.1% to 5.0% of PBT* RM420k to RM1 mil RM100K < Penalty/ Legal Liability < RM500K	Moderate negative local publicity and local media coverage.	Business interruption of up to three (3) days.	 Letter of reprimand is the Authorities. Fines or penalties issu Authorities. 	morale and commitment.
4	Major	Impact of 5.1% to 10.0% PBT* RM1 mil. to RM2mil. RM500K < Penalty/ Legal Liability < RM1 mil.	Major negative national publicity and national media coverage resulting in queries and investigations by the authorities.	Business interruption of up to one (1) week.	 Letter of reprimand, is publicly, by the Author Major fines, penalties the Authorities. Major litigation, with the Government or with the sectors. 	rities. morale and commitment. issued by • Major impact to the Company's ability to comply with the requirements of Stakeholders
5	Catastrophic	 Impact of > 10.0% of PBT* RM 2mil. Penalty/ Legal Liability > RM1 mil. 	Extensive negative national publicity and national media coverage resulting in queries and investigations by the authorities.	Business interruption of more than one (1) week.	 Forced closure or cess operations by the Auth Material fines or pena issued by the Authorit Possible prosecution of Management / Board Members. Serious litigation inclusactions. 	norities. morale and commitment. Ities by ies. Total failure to comply with requirements of Stakeholders.

^{*} PBT of RM20.00 million is for illustration purpose only. Based on the Annual Report, MGB's PBT in 2019 and 2020 were RM21.00 million and RM23.00 million respectively.

Determining Risk Score

The risk score is derived by using the following formula:

Risk Likelihood		Risk Impact			
The risk is almost certain to occur		Potential Financial Loss			
High likelihood of occurrence		Potential Business Interruption			
This risk may exist to happen but is not certain or probable	х	Potential Reputational Damage			
Conceivable, but low potential of occurrence		Potential Regulatory Penalty			
This risk may only occur in very exceptional circumstances.		Potential Stakeholder Confidence Loss and Staff Dissatisfaction			
Inherent Likelihood and Impact:		Residual Likelihood and Impact:			
Root Causes = Likelihood and Impact		Root Causes vs. Internal Controls = Likelihood and Impact			

The risk score, that is between 1 and 25, can be visualized using Risk Heat Map in the following page.

Risk Heat Map

The Risk Heat Map has been improvised by splitting further the risk rating from three (3) ratings (*High, Medium and Low*) to five (5) ratings (*Catastrophic, High, Moderate, Low and Very Low*).

MGB's Existing Risk Heat Map:

	Risk Matrix	:	Consequences									
			Insignificant	Minor	Moderate	Major	Catastrophic					
			1	2	3	4	5					
	Rare	1	1	2	3	4	5					
<u> </u>	Unlikely	2	2	4	6	8	10					
Likelihood	Possible	3	3	6	9	12	15					
Lik	Likely	4	4	8	12	16	20					
	Almost certain	5	5	10	15	20	25					

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

Enhanced Risk Heat Map:

					Risk Impact		
Ris	Risk Heat Map		Insignificant	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
	Almost Certain	5		High (10)	High (15)	Extreme (20)	Extreme (25)
poo	Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Likelihood	Possible	3	Low Moderate (3)		Moderate (9)	High (12)	High (15)
Risk	Unlikely 2 Very Low (2)		Low (4)	Moderate (6)	Moderate (8)	High (10)	
	Rare 1		Very Low (1)	Very Low (2)	Low (3)	Low (4)	Moderate (5)

Rating	Score	Description
Extreme	17 - 25	Immediate action required from MGB's Head of Division/ Department and/ or RMC.
High	10 - 16	MGB is willing to expose itself to more risk in this area and able to tolerate a degree of loss or failure. MGB recognises that occasional failure is to be expected as it seeks certain types of opportunities.
Moderate	5 - 9	MGB is willing to expose itself to measure risk in this area, when the risk taken is based on a favorable cost/ benefit analysis. MGB recognises that tradeoff decisions must be made to optimise meeting organisational objectives against minimising exposure.
Low	3 - 4	MGB will undertake control measures to the extent that risk exposure is unlikely.
Very Low	1 - 2	MGB is committed to sustain a strong management and control system to ensure that risk exposure is rare.

Risk Profile

The Risk Profile has been improvised by adding the necessary details for better risk assessment and response.

Please refer to following slide for the enhanced risk movement from gross risk level, residual risk level to target risk level.

MGB's Existing Risk Profile:

		Form No.	MITCE-MP 11-RR
MGB	MGB BERHAD	Rev.	0
		Effective Date	02/11/16
	RISK REGISTER	Page	1 of 1

PROJECT / PROCESS:					D BY:	A	APPROVED BY:		BY: RR NO.:		ATE	PAGE:
Secreta	arial, Corporate Affa	Khoo Wei	Lee	D	aniel Chev	niel Chew RR/SCR		31/12/2021		1 of 1		
NO.	CATEGORY / ACTIVITY	RISK IDENT	RISK ASSESSMENT				PLAN ACTIONS			RESPONSIBILITY & TIMELINE /		
		Risk	Opportunity	Likeli- hood	Conse-	Risk Ranking					FR	REQUENCY
			(A)			Index						



Enhanced Risk Profile:

No.	Risk Code	Risk Name	Risk Owner	Risk Description	Gross Risk L	Gross Risk Level		Control						Management Action Action Plan Plan Due Date	Target Risk Level		
					Likelihoo d	Impact	Level		Likeli hood	Impact	Level			Likelih ood	Impact	Level	

Risk Movement



The risk to the Company before any control or mitigating action is applied. It is necessary to quantify gross risk in order to understand the potential impact upon the Company, should controls or mitigating action not be effectively applied.

Residual Risk

Remaining risk after the Top Management applies relevant controls and mitigating actions in line with the Company's risk appetite.

Target Risk

When evaluating Residual Risk, the Company may find that it is not in line with the Company's risk appetite.

When this occurs, new controls and action to achieve a lower risk rating should be planned.

Target Risk can therefore be considered as the risk appetite which the Company considers an acceptable level of risk exposure.