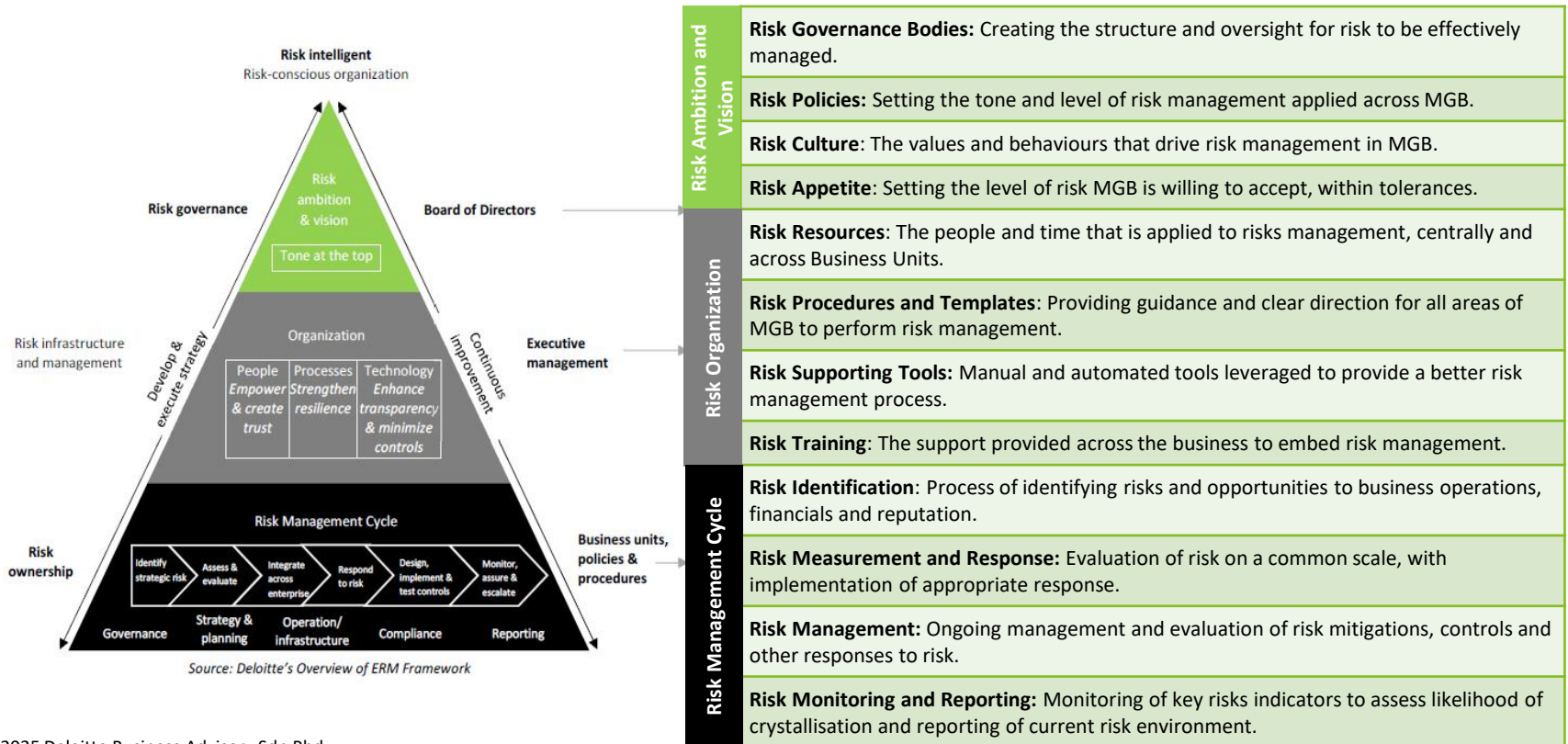


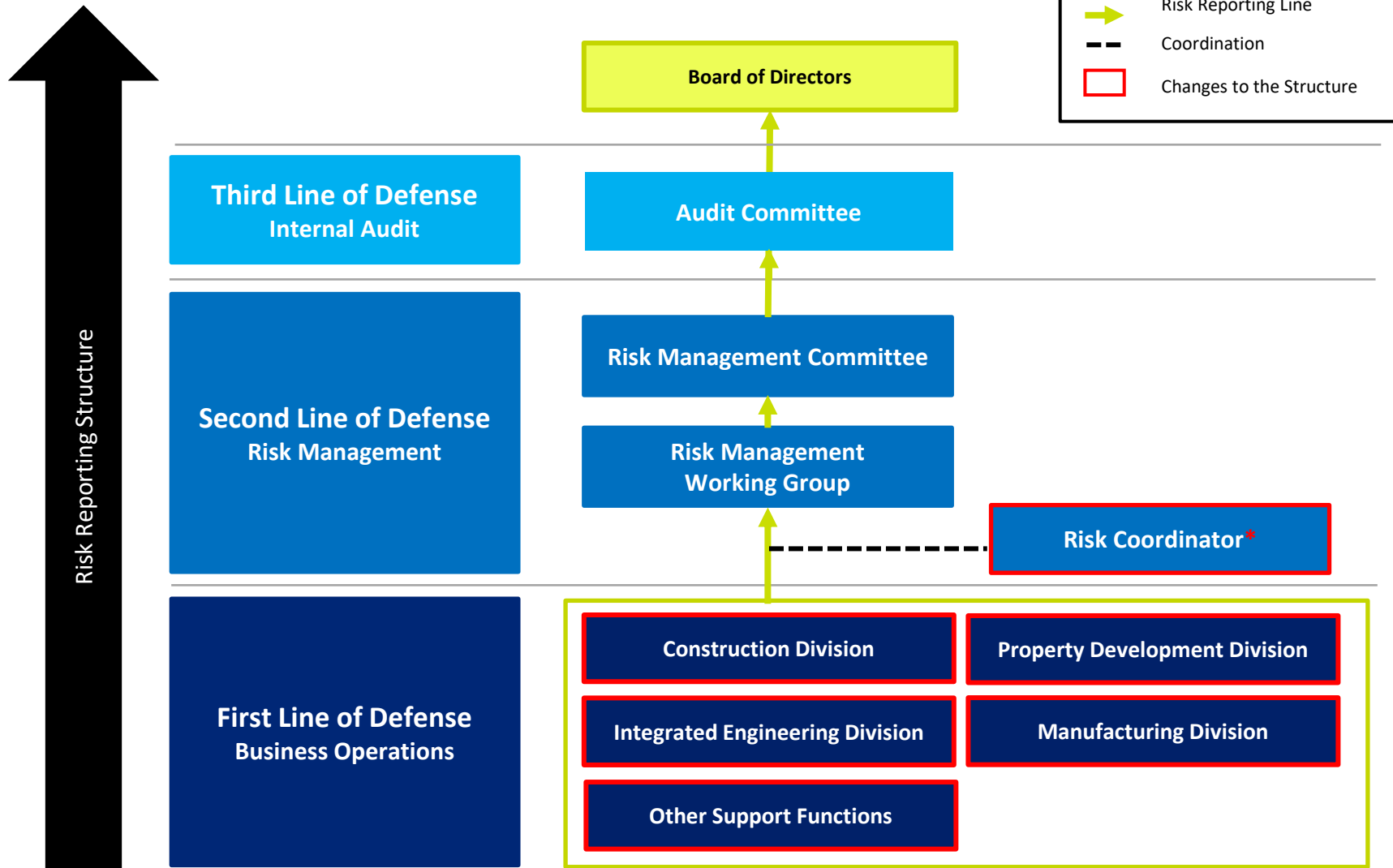
# MGB's ERM Architecture

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 Organization:** Design, implementation, and maintenance of an effective risk management program, led by the Risk Management Working Committee (“RMWC”) and Risk Management Committee (“RMC”); and
- **Risk Management Cycle:** 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 RMC on a semi-annually basis. All the above-mentioned results are updated in the Risk Register.



# Risk Governance Structure



\* Risk Coordinator assists to compile the Risk Registers from each Department and coordinates the ERM exercise.

# Risk Likelihood

Risk analysis focuses in particular on the two dimensions of risk analysis, which are Risk Likelihood and Risk Impact.

Risk likelihood is a term which tries to measure the chances of a specific event occurring. It captures the expected probability and frequency of an event, as follows:

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

# Risk Impact

Risk impact can be measured in a qualitative and/or quantitative way (by describing impact in terms of *e.g. financial loss, reputation/ brand, operational efficiency, legal/ regulatory and stakeholders*) as follows:

Score	Financial Losses	Reputation / Brand	Operational Efficiency	Legal/ Regulatory	Stakeholders
1	Insignificant <ul style="list-style-type: none"> <li>Impact of &lt; 0.5% Profit Before Tax ("PBT") (&lt;RM345k)*</li> <li>Penalty/ Legal Liability up to RM 50K</li> </ul>	No local publicity and local media coverage.	Business interruption of less than one (1) day.	<ul style="list-style-type: none"> <li>No queries or Letter of reprimand issued by the Authorities.</li> <li>No fines or penalties issued by the Authorities.</li> </ul>	<ul style="list-style-type: none"> <li>No impact on staff morale and commitment.</li> <li>Insignificant impact to the Company's ability to meet the requirements of Stakeholders.</li> </ul>
2	Minor <ul style="list-style-type: none"> <li>Impact of 0.5% to 2.0% of PBT (&gt;=RM345k to RM1.38mil)*</li> <li>RM50k &lt; Penalty/ Legal Liability &lt;RM100k</li> </ul>	Minor negative local publicity and local media coverage.	Business interruption between one (1) to three (3) days.	<ul style="list-style-type: none"> <li>Letter of reprimand issued by the Authorities.</li> <li>No fines or penalties issued by the Authorities.</li> </ul>	<ul style="list-style-type: none"> <li>Minor impact on staff morale and commitment.</li> <li>Minor impact to the Company's ability to meet the requirements of Stakeholders.</li> </ul>
3	Moderate <ul style="list-style-type: none"> <li>Impact of 2.1% to 5.0% of PBT (&gt;RM1.38mil to RM3.45mil)*</li> <li>RM100k &lt; Penalty/ Legal Liability &lt;RM500k</li> </ul>	Moderate negative local publicity and local media coverage.	Business interruption of up to three (3) days.	<ul style="list-style-type: none"> <li>Letter of reprimand issued by the Authorities.</li> <li>Fines or penalties issued by the Authorities.</li> </ul>	<ul style="list-style-type: none"> <li>Moderate impact on staff morale and commitment.</li> <li>Moderate impact on the Company's ability to meet the requirements of Stakeholders.</li> </ul>
4	Major <ul style="list-style-type: none"> <li>Impact of 5.1% to 10.0% of PBT (&gt;RM3.45mil to RM6.9mil)*</li> <li>RM500k &lt; Penalty/ Legal Liability &lt;RM1mil</li> </ul>	Major negative national publicity and national media coverage resulting in queries and investigations by the authorities.	Business interruption of up to one (1) week.	<ul style="list-style-type: none"> <li>Letter of reprimand, issued publicly, by the Authorities.</li> <li>Major fines, penalties issued by the Authorities.</li> <li>Major litigation, with the Government or with the private sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Major impact on staff morale and commitment.</li> <li>Major impact to the Company's ability to comply with the requirements of Stakeholders.</li> </ul>
5	Catastrophic <ul style="list-style-type: none"> <li>Impact of &gt;10.0% of PBT (&gt; RM6.9mil)*</li> <li>Penalty/ Legal Liability &gt; RM1mil</li> </ul>	Extensive negative national publicity and national media coverage resulting in queries and investigations by the authorities.	Business interruption of more than one (1) week.	<ul style="list-style-type: none"> <li>Forced closure or cessation of operations by the Authorities.</li> <li>Material fines or penalties by issued by the Authorities.</li> <li>Possible prosecution of Senior Management / Board Members.</li> <li>Serious litigation including class actions.</li> </ul>	<ul style="list-style-type: none"> <li>Catastrophic impact on staff morale and commitment.</li> <li>Total failure to comply with requirements of Stakeholders.</li> </ul>

Note: \*The monetary value is for illustration purpose only. Based on the Annual Report, MGB's PBT in 2023 was RM69 mil.

# Determining Risk Score

The risk score is derived by using the following formula:

Risk Likelihood
The risk is almost certain to occur
High likelihood of occurrence
This risk may exist to happen but is not certain or probable
Conceivable, but low potential of occurrence
This risk may only occur in very exceptional circumstances.

**Inherent Likelihood and Impact:**

*Root Causes = Inherent Likelihood and Impact*

X

Risk Impact
Potential Financial Loss
Potential Business Interruption
Potential Reputational Damage
Potential Regulatory Penalty
Potential Stakeholder Confidence Loss and Staff Dissatisfaction

**Residual Likelihood and Impact:**

*Root Causes vs. Internal Controls  
= Residual Likelihood and Impact*

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

# Risk Heat Map

A Risk Heat Map is used to visualise risks your Company faces. This helps the identification and prioritisation of risks associated with various Business Units within your Company.

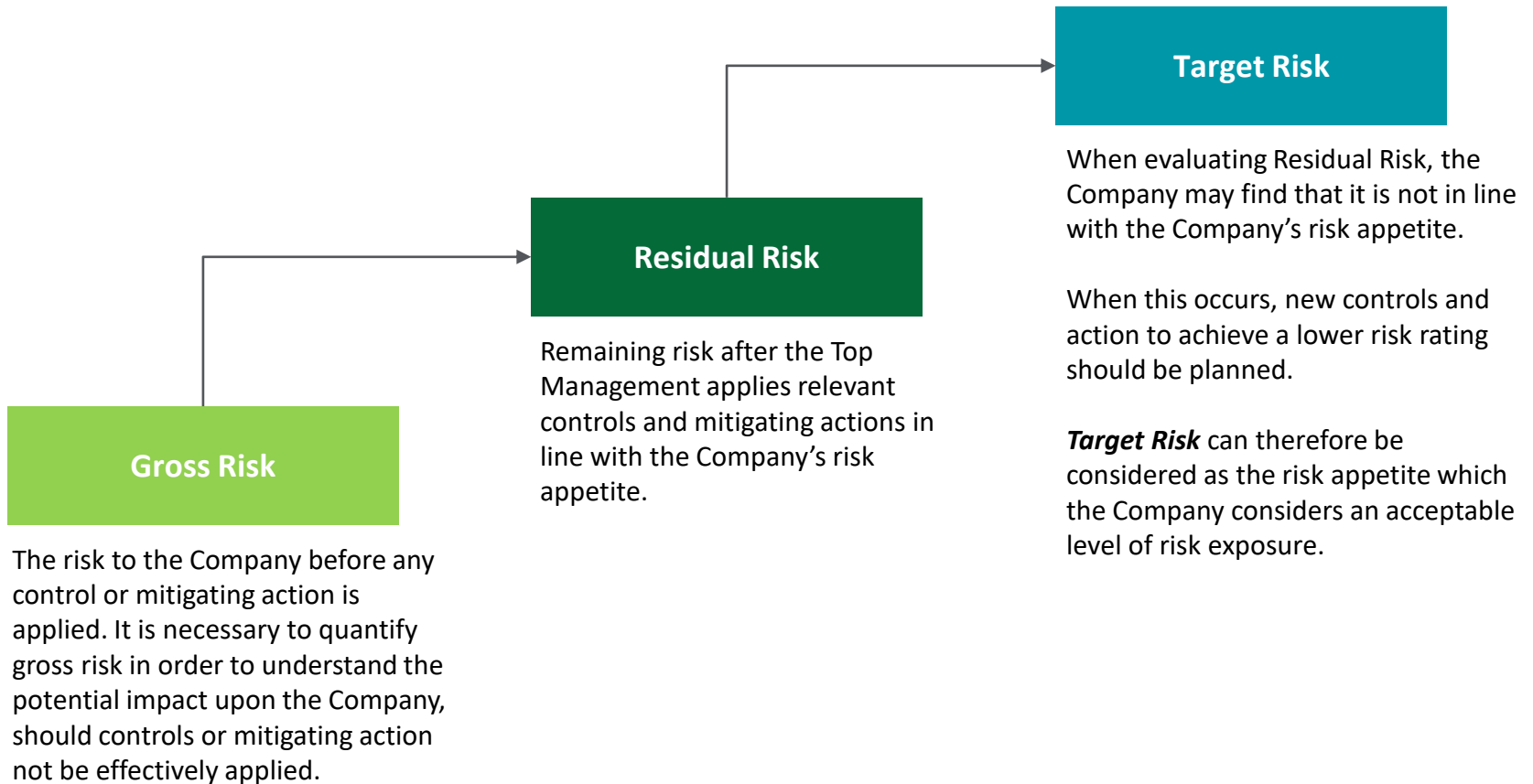
Risk Heat Map			Risk Impact				
			Insignificant	Minor	Moderate	Major	Catastrophic
			1	2	3	4	5
Risk Likelihood	Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
	Possible	3	Low (3)	Moderate (6)	Moderate (9)	High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

# Risk Tolerance

The outcome of Risk Score can be described as follows:

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 Movement





# Risk Profile

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

- A column is added to define the applicable business for the risk – There are four (4) main businesses within MGB, *i.e.*, *Property Development, Construction, Integrated Engineering and Manufacturing*
- A column is added to determine the primary risk owner – On top of the risk owners, the primary risk owner is also identified. The primary risk owner shall be responsible for coordination with the other co-owners in monitoring of risk. This information is added to ensure ownership is clearly defined especially for cross-functional risk with more than one risk owner.

No.	Risk Code	Risk Name	Business	Risk Owner	Primary Risk Owner	Risk Description	Possible Root Cause	Potential Consequence	Gross Risk Level			Existing Control	Residual Risk Level		
									Likelihood	Impact	Risk Level		Likelihood	Impact	Risk Level