



MTD ACPI ENGINEERING BERHAD

STANDARD OPERATION PROCEDURES

This manual contains proprietary documents; no part of this manual may be reproduced in any manner or used by any other organization without the permission of Company's Name

SECTION A

PREPARED BY

A handwritten signature in black ink, appearing to read "Nur Atiqah Kamaludin".

DATE: 29 MAY 2019

NUR ATIQAH KAMALUDIN
EXECUTIVE

SECTION B

REVIEWED BY

A handwritten signature in black ink, appearing to read "Zaim Husni".

DATE: 29 MAY 2019

DATE:

A handwritten signature in blue ink, appearing to read "Rijaluddin Salleh".

ZAIM HUSNI OMAR
SENIOR GENERAL MANAGER
HEAD OF GROUP STRATEGIC PLANNING &
INVESTMENT

RIJALUDDIN SALLEH
SR GENERAL MANAGER, GROUP
COMPLIANCE & GENERAL SERVICES
DIVISION

APPROVED BY

A handwritten signature in black ink, appearing to read "Nik Firdaus Binti Tan Sri Dr Nik Hussain". To the right of the signature is the date "30/5/19".

DATE:
30/5/19

NIK FIRDAUS BINTI TAN SRI DR NIK HUSSAIN
CHIEF OPERATING OFFICER



**RISK MANAGEMENT
POLICY AND PROCEDURE
MANUAL**

CONTENTS

Doc No.	Policy Title	Contents	Page
1	Introduction to ERM	1.1 Objectives	1
		1.2 Definition of risk	1
		1.3 Definition of Enterprise Risk Management	2
		1.4 Factors demanding the management of risk	3
		1.5 MTD ACPI Engineering Berhad ERM Policy	4
		1.6 Listing requirements for risk management	6
		1.7 Dealing with risks	7
		1.8 Critical success factors for risk management	13
		1.9 Risk management context and accountabilities	13
2	Risk Management Strategy of the Group	2.1 Risk taking rules	1
		2.2 Risk parameters	2
3	Risk Assessment Process	3.1 Overview	1
		3.2 Preparation	2
		3.3 Gross risk analysis (Workshop – Session A)	4
		3.4 Control assessment (Pre-work for Workshop – Session B)	8
		3.5 Residual risk analysis	9
		3.6 Risk scenario analysis	17
		3.7 Report to stakeholders	21

Doc No.	Policy Title	Contents	Page
4	Risk Communication and Risk Structure	4.1 Risk communication	1
		4.2 Group risk structure	2
		4.3 Timing of report	8
5	Risk Monitoring	5.1 Key monitoring functions	1
		5.2 Monitoring of Risk Action Plans	3
		5.3 Measurement of Risk Action Plans Implementation Status	5
		5.4 Documentation	6
6	Reporting of New Risk Identified		1

Appendices

Doc No.	Policy Title
Appendix A	Risk Categories
Appendix B	Risk Parameters
Appendix C	Risk Likelihood
Appendix D	Pre-work for Workshop-Session A
Appendix E	Determine Control Effectiveness
Appendix F	Pre-work for Workshop-Session B
Appendix G	Risk Register and Risk Action Plans Register
Appendix H	Executive Summary
Appendix I	Risk Profile
Appendix J	Risk Action Plans Status Worksheet
Appendix K	Flash Report

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 1

1. Introduction

This policy document is presented as a base for MTD ACPI Engineering Berhad implementation of the Enterprise Risk Management for the Group. This document will be reviewed from time to time to accommodate changes to meet new challenges in managing specific risks associated with running of business operations to ensure strict compliance with all regulatory requirements.

1.1. Objectives

The objectives of the Enterprise Risk Management (ERM) policy and procedure document are to:

- Formalize the ERM functions across the MTD ACPI Engineering Berhad (the Group);
- Sensitize staff more strongly to risk identification, measurement, control and ongoing monitoring;
- Coordinate and standardize the understanding and application of ERM within the Group; and
- Prove compliance by the MTD ACPI Group's Board of Directors with its organizational obligations and duties of care and diligence in accordance with the Malaysian Code on Corporate Governance and the Listing Requirements of Bursa Malaysia.

The ERM policy and procedure document is a corporate policy applicable to the Group. It defines the standard conditions and minimum requirements for implementation of ERM for the Group.

1.2. Definition of risk

Because the future as such is uncertain, any business activity is associated with risks and rewards, and its very objectives are to identify and reap rewards and opportunities, as well as to manage and control the resulting risks.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 2

Business risks refer to events that threaten the assets and earnings of, or the essential services provided by, the organization. In essence, a risk is anything that has the potential to prevent the organization from achieving its objectives. Consequently, risks may be events, incidents or actions which may materially impair the Group's success potentials (e.g. its reputation), assets, capital, profitable performance or liquidity (cash).

1.3. Definition of Enterprise Risk Management

ERM is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks the Group faces as it creates value.

"Enterprise-wide" means the removal of traditional functional, divisional, departmental or cultural barriers. A truly holistic, integrated, future-focused and process-oriented approach helps the Group manage all key business risks and opportunities with the intent of maximizing shareholder value for the Group as a whole.

ERM shall be a core management competency that incorporates a well-structured systematic process to identify business risks and lessen their impact on the Group.

This involves the following core elements:

- The identification of each business risk;
- The measurement of the identified business risk;
- The control or the way the risk is managed in line with the needs of the Group's policies and strategies; and
- Constant monitoring and communicating of risks associated with any activity, function or process in a way that will enable the Group to minimize losses and maximize opportunities.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 3

1.4. Factors demanding the management of risk

The global pace of change, resource constraint, demands from stakeholders for growing openness, transparency and accountability and continued pressures for organizational change, all has an impact on the Group. These factors demand the Group to have a more systematic risk management structure.

Broadly, the benefits of managing risk include the following:

- Early exploitation of business opportunities;
- Increased likelihood of achieving business objectives;
- Increased market capitalization;
- More effective use of management time, also avoid “fire-fighting”;
- Lower cost of capital;
- Fewer unexpected threats to the business;
- More effective management of change; and
- Clearer strategy setting.

By consciously and regularly looking for “what else might happen” scenarios, and by discovering possible unintended consequences in advance of choosing a particular course of action, our decision-making will obviously be based upon more relevant and complete information, and will significantly decrease the chances of being “blindsided” by some unforeseen scenario or potential crises. We will also have better contingency plans prepared should one of the risk scenarios come to pass.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 4

1.5. MTD ACPI Engineering Berhad ERM Policy

The Group committed to achieve its vision and objectives. Thus, it is critical for the Group to possess the capability of managing risks to ensure the strategic objectives achieved with minimal cost.

The Board has a stewardship responsibility to understand the potential risks in order to provide guidance to the Management on dealing with the risks and to ensure risks are managed proactively, in a structured and consistent manner.

The policies of the Board for Enterprise Risk Management ("ERM") are:

- **To integrate risk management into the culture, business activities and decision making processes.**

Risk management concept, thinking and initiatives must be **embedded** in the day-to-day business operations and decision making process. Risks that can be managed through embedded, routine systems and processes should be so managed and monitored. Where risks is relatively difficult to manage, they must be subjected to individualized risk management techniques applied to a particular risk.

- **To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively.**

The management shall identify risks, analyze and propose solutions on industry knowledge and information available from the market place so that the Group must not experience any major risks. However, a comprehensive plans must be put in place to respond timely and to address the risk impact should it happens.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 5

- To require the Management to include a detailed risk assessment report in all the papers that are submitted to the Board relating to strategy, key project approval, significant action or investment.
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.

In dealing with risks, the Board understands that it is not always possible, cost effective or desirable to manage or eliminate risk all together. A cost-benefit approach is needed where the returns must commensurate with the risks taken and reduce cost of risk controls.

- To implement a robust and sustainable ERM framework that is aligned with the vision of the Group, and in accordance with best practices.

The Board recognises that a structured and consistent ERM framework is instrumental for the Group to deploy its operational strategy effectively.

These policies will be achieved via:-

1. Periodic reporting to the Board on risk management activities and keep the Board apprised and advised of all aspects of ERM and significant individual risks and risk trends;
2. Provision of adequate and suitable resources, including tool(s) and manpower to ensure the ERM framework and system are operating effectively;
3. Provision of adequate education and communication to ensure all staff comprehend the requirements, benefits, and their role and responsibilities for risk management; and
4. Maintaining documented risk information (via risk registers and risk action plans) and procedures for the control of risks.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 6

1.6. Listing requirements for risk management

Chapter 15 of the Listing Requirement of Bursa Malaysia as at 1 June 2013 sets out the key corporate governance requirements for public listed companies ("PLCs"). In effect, the Malaysian Code of Corporate Governance ("MCCG") was given its practical efficacy through the following key provisions in the Listing Requirement on corporate governance disclosure requirements in the annual reports of PLCs:

- 15.25(2)(a) – a narrative statement of how the listed issuer has applied the principles set out in Part I of the Code to their particular circumstances;
- 15.25(2)(b) – a statement on the extent of compliance with the Best Practices set out in Part II of the Code which statement shall specifically identify and give reasons for any areas of non-compliance and the alternatives to the Best Practices adopted by the listed issuer, if any; and
- 15.26(b) – a statement about the state of internal control of the listed issuer as a group.

In particular, the *Statement on Risk Management and Internal Control: Guidelines for Directors of PLCs* provides guidance on the preparation of a Statement on Internal Control pursuant to paragraph 15.26(b) of the Listing Requirement. The main requirement is for the Board to maintain a sound system of internal control within the PLC group through a system of internal control where the monitoring of risks and controls is embedded into the fabric of the company through the implementation of a risk management system which balances risks and controls. The risk management system is supplemented by an objective assurance of the adequacy and integrity of the internal control provided by an internal audit function.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 7

1.7. Dealing with risks

In dealing with risk there are 4 core principle strategies to manage the residual risk namely Avoid, Retain, Modify or Share, commonly known as ARMS. These are:

- **Avoid** the risk by ceasing to undertake the business activity altogether;
- **Retain** the risk without any further action;
- **Modify** the risk by taking steps to minimize its impact and/or likelihood of occurrence; and
- **Share** the risk by transferring the risk to another party by outsourcing the activity or purchasing insurance.

The most frequently adopted option is to accept the risk but to take steps that will reduce either its impact or its likelihood of occurrence, or possibly both. The four principal options available to effectively manage risk are:

1.7.1. Avoid

Risks may be eliminated by not engaging in activities/functions with the attendant risks. Businesses can choose to terminate a risk by eliminating the business area or significantly altering it. The Group may choose this route for risks that could have a major or catastrophic impact on the business and where the costs of pursuing other choices significantly outweigh the potential benefits.

1.7.2. Retain

Risks may be accepted with full intent and purpose and businesses can make a conscious decision to not take any action. Businesses can choose not to act and to consciously accept a certain risk. Businesses may, for example, choose to accept the risks ranked as low because the level of risk is acceptable in relation to their risk appetite.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 8

1.7.3. Modify

Businesses may accept the risks but to take some actions to lessen its likelihood or impact such as through organizational procedures (e.g. segregation of functions), guidelines, internal monitoring system and Internal Auditing.

Businesses can choose to reduce the risks by taking specific actions aimed at:

- Reducing the likelihood that a risk will occur in the first place; and
- Reducing the impact a risk might have on the business should it actually occur.

Some of these options are discussed below:

I. Determine policy

Is there a policy currently for managing this type of residual risk? If so, is it adequate? Does it need to be enhanced? Does the policy address the type of issue that this residual risk has identified? If the policy does not meet the current need, or if there is no suitable policy, then one needs to be prepared. Some suggestions here are:

- Be succinct;
- Define the problem (issue);
- Indicate the type of outcome and objectives sought;
- Outline the steps to be taken;
- List the critical success factors to be used to measure achievement of the policy; and
- Identify accountable people.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 9

II. Clarify accountabilities

If there is no clear indication as to who is accountable for the management of the residual risk, refer to the relative policy and amend it by including the designations of those best suited for the role. Be specific as to what the accountability is for. Remember to advise the people of their newly acquired accountabilities. Also, remember it may be necessary to review individuals' position descriptions and key performance indicators ("KPIs").

III. Update performance contracts

If performance contract with suppliers (either internal or external to the Group) are silent on performance requirements, or if the performance requirements listed no longer meet current needs, then develop new minimum standard requirements. It is important when developing the new performance requirement standards to:

- Be certain about what is required; and
- Consult with the other parties in the development of the standards. Remember, the other party will have to "buy into" what you develop.

IV. Improve processes

Does the existing approach to how the activity is undertaken have inherent flaws? Are there other more efficient ways of performing the particular activity? If the answer is "yes" to either of these questions, then it is timely to undertake a process review. The review should also consider the impacts any changed approach will have on all parts of the supply or production chain, and where necessary, consult with external parties. Remember also, maintain close consultation with the people currently undertaking the processes – often they know best how to improve things.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 10

V. Establish minimum controls

This involves having the least number of controls necessary to provide the “client” (internal or external) with a product or service that meets their needs – especially the minimum standards specified in any contract. Where feasible, place the controls in the hands of the people undertaking the activities under review. Endeavor to design control processes that are to be followed as an activity occurs. Only design control processes (such as performance review) to be undertaken after the activity has been completed where it is impossible or not cost effective to have controls undertaken as the activity is performed.

V. Education and training programme

If this is required it should be designed in a way that people can most readily learn with the least disruption to their work. Options for training include:

- Induction manuals;
- Presentations;
- Videos;
- Meetings/interviews;
- Workshops;
- Special briefings;
- Newsletters;
- Seminars; and
- Performance agreements.

VI. Expert advice

Seek either external or internal consulting advice when the necessary knowledge about a process or other situation is not held locally.

	MTD ACPI ENGINEERING BERHAD	DOC NO.: 1	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 11

VII. Determine audit coverage

Is the situation one where Risk Assurance can or should provide some form of internal audit coverage? Alternatively, is the situation one covered by MTD ACPI's external auditors? If in doubt contact the Group Internal Audit Manager.

VIII. Establish performance reporting

Performance reporting requirements assist as a type of follow-up control. Performance reports should be reported to the most appropriate level that can influence any follow-up improvement activity required. Performance reporting should be undertaken in conjunction with other reporting frameworks wherever this is feasible. When developing performance reports consult with the people to whom they will be sent to ensure they will receive the type of information they require.

IX. Project evaluation

Project evaluation is important to confirm that time, finance or assets invested in any projects achieve the pre-determine results that had been forecasted. When developing an evaluation process it is important to list the agreed outcome sought from the project, give a value weighting to each outcome and then assess (on point out of 10) both the desired and actually achieved performance (see example below).

	(A)	(B)	(A x B)	(C)	(A X C)
Agreed project outcomes	Relative value weighting	Desired achievement (out of 10 points)	Combined desired outcome	Actual achievement score	Actual outcome score

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 12

X. Business plan review

Review your business plans at least six monthly for appropriateness in terms of their assumptions and forecast risks. Such reviews need not be lengthy, but should include a review of performance to date against the plan forecast. They should also include an analysis of any significant variations (both positive and negative) against the business plan forecast indicating why outcomes have differed from what was anticipated. If necessary, change the risk profile and performance expectations.

1.7.4. Share

Insurance contracts and other agreements permit shifting of risks to a counter-party (e.g. insurance against certain risk or loss).

Businesses can choose to share all or part of a certain risk to other parties. This can be achieved by:

- Transferring an entire business process to another party as is the case with sub-contracting and outsourcing arrangements;
- Sharing the business process with another party as is the case with partnership and joint-venture arrangements; and
- Retaining the process and transferring the legal or financial risks as is the case with insurance arrangements and the use of certain treasury products.

1.7.5. Approval

Authority for approval on the risk treatment options lies with the Board. Respective business unit will evaluate the residual risk on the specific process or activity and propose recommendation of the risk option to the Group Enterprise Risk Management Department. The recommendation put forth by the respective business unit must take into account the adequacy of the controls in place and plans of action to manage the risk for every risk treatment options proposed.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 13

Group Enterprise Risk Management Department will then compile and consolidate the proposed recommendation on the treatment option of the residual risk for tabling to the Risk Management Committee and approval by the Board.

1.8. Critical success factors for risk management

The successful management of risk within the Group will depend on:

- Risk management being an integral part of strategic, project and operational planning and activities throughout all levels of the Group;
- Risk management being openly accepted and supported by the Group's leadership as providing good business value, with this acceptance reinforced through avenues such as managers and staff performance requirements and part of their performance assessment criteria; and
- Risk management being easily incorporated into our daily activity and seen as helpful to us in achieving our vision and strategic goals.

1.9. Risk management context and accountabilities

The context within which we manage our risks and the key focus of accountability for this is as follows:



	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 14

1.9.1. Strategic risk

Strategic risks are primarily risks caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. The causes of this risk include such things as national and global economies, government policies and regulations, interest rates and climatic conditions. Often, they cannot be predicted or monitored through a systematic operational procedure. The lack of advance warning and frequent immediate response required to manage strategic risks means they are often best identified and monitored by senior management as part of their strategic planning and review mechanisms.

Accountability for managing strategic risks therefore rest with the Board and/Chief Executive Officer. The benefit of effectively managing strategic risks is that we can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that we are less likely to be surprised by some external event that calls for significant change.

1.9.2. Operational risk

Operational risks are inherent in the on-going activities within the different business units or subsidiaries of the Group. These are risks associated with such things as the day-to-day operational performance of staff, the risks caused by the company structure and the manner in which the subsidiaries report to corporate headquarters. Senior management needs on-going assurance that operational risks are identified and managed.

Accountability for managing operational risks rests particularly with the Heads of Business Units/Departments. The benefits of efficiently managing operational risks include maintaining superior quality standards, eliminating undesirable surprises, early identification of problem issues, being prepared for emergencies if they happen and being held in high regard by shareholders for the efficient and effective management of risk.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	INTRODUCTION TO ERM		PAGE : 15

Appendix A provides details of the risk types and situations to be considered when developing or reviewing operational risk profiles.

1.9.3. Project risk (including acquisition and investment)

These are risks associated with projects that are of a specific, normally short-term nature and are frequently associated with acquisitions, change management and integration projects. An effective strategy for managing project risks is to develop a set of key criteria to manage the significant risks that are common within most projects. This approach assists project managers with the identification of the risks inherent in individual projects.

Project Sponsors are accountable for the achievement of project deliverables and outcomes. However, specific risks associated with project management are normally delegated to project managers for attention and action. Included among the benefits of efficiently managing project risks are the avoidance of unexpected time and cost overruns. Additionally, when project risks are well managed there are fewer integration problems with assimilating required changes back into general management functions. Appendix A provides details of the risk types and situations to be considered when developing or reviewing project risk profiles.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 16

The individual accountability for risk management responsibilities has been addressed by the applicable laws and regulations that bind management and staff, as well as by each company's memorandum and articles of association, internal policies and procedures, limits of authority, individual employment contracts, the general corporate policies and guidelines for specific operations, divisions or business units.

Roles and responsibilities for risk management within the Group are summarized below:

Individuals/Functions	Roles/Responsibilities
Board of Directors	<ul style="list-style-type: none"> • Overall oversight of risk management • Determine risk management policy • Approve risk management philosophy • Review risk profile of the Group
Risk Management Committee (RMC)	<ul style="list-style-type: none"> • Create risk strategy (policy) aligned with the Group's strategic business objectives • Identification of enterprise risk which could impact the Group's business objective • Communicate/highlight to the Board of the risk profiles affecting the Group's business and operations to enable the Board and the Management to focus on the risks and to recommend and/or implement risk action plans.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 1	ISSUE: 2
POLICY TITLE	INTRODUCTION TO ERM	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 17

Group Enterprise Risk Management Department (GERMD)	<ul style="list-style-type: none"> • Identify and communicate to the Board and the RMC the critical risks (present or potential) the business unit faces, their changes, and the management action plans to manage risks • Communicate risk management requirements in the business unit • Review risk profiles and performance for the business unit • Review and update the business unit's risk management methodologies applied, specifically those related to risk identification, measuring, controlling, monitoring and reporting
Head of Group Enterprise Risk Management Department	<ul style="list-style-type: none"> • Acting as central contact and guide for ERM issues within the Group • Coordinating ERM routinely within the Group • Supervising ERM policy implementation at Group level • Documenting ERM system at Group level • Training and communicating ERM details within the Group
Head of Business Unit/Department	<ul style="list-style-type: none"> • Manage business unit's risk profile • Report risk exposures to GERMD • Develop and implement action plans to manage risks • Report status of action plans to GERMD • Ensure critical risks are considered in the management plan
Internal Audit	<ul style="list-style-type: none"> • Validate the results of the ERM processes • Examines the risk management systems for completeness, comprehensiveness and reliability, besides verifying the ERM system for adequacy and effectiveness

Further details of the responsibilities of the key parties are provided in Section 4 of this policy and procedure document.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 2 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK MANAGEMENT STRATEGY OF THE GROUP		PAGE : 1

2. Risk Management Strategy of the Group

Risk management policy is part of corporate strategy which determines core capabilities, divisions, competitive advantages, the formation of the value-added chain, and thus the Group's value drivers. The risk management policy will align ERM resources and actions with business strategy necessary to maximize organizational effectiveness. Linking the business strategy to ERM can also provide a context for setting risk appetite and risk measures so that they are linked to the strategic plan of the Group.

As an essential facet of the risk management system, the following risk strategy forms the strategic thrust of the ERM framework and sets the risk management tone that guides all employees of the Group in dealing with risks in a rational, target-oriented manner:

- The Board strongly supports risk management with formal reporting. Risk management is periodically on the Board's agenda, and the Board and senior management are aware/trained on risk;
- This policy and procedure document shall define and document the Group's risk management policy, procedures and objectives, which are part of a wider ERM framework, and communicated across the Group;
- Risk management is linked to business and operational planning, and is generally incorporated into new projects; and
- The risk management process is meant to promote a proactive risk management approach and creates the necessary risk awareness and cultivates an intra-group risk and control culture.

2.1. Risk taking rules

The following outlines the basic rules for taking risks:

- The Group deliberately incurs business risks if the associated rewards are expected to enhance the Group's corporate value;
- Risks associated with the core business processes are borne by the Group itself;
- Risks tied to resource management processes are reduced within the Group or, where expedient, shifted to third parties (e.g. outsourcing);

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 2	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	RISK MANAGEMENT STRATEGY OF THE GROUP		PAGE : 2

- Risks that relate neither to core nor resource management processes are not incurred by the Group; and
- Actions that are legally dubious and violate the group policies and principles, such as Human Resource principles, Financial Management procedures or contradict local customs risk, and in particular the Group's reputation, will not be carried out.

2.2. Risk parameters

The risk management policy includes a set of financial and non-financial risk parameters which represent the risk appetite and risk capacity for the Group. Risk appetite is defined as the level of risk that the management is prepared to accept to achieve its objectives. Risk capacity refers to the level of risk the management is not prepared to exceed (e.g. the maximum loss that the management believes they can endure in one year without endangering the survival of the company).

The risk parameters are defines at the Group level as well as the business unit level and are aligned to meaningful business risk descriptors.

2.2.1. Application of the risk parameters

The risk parameters are used by the businesses during the risk assessment reviews (see Section 3) to determine the magnitude of the impact of risk to the Group and/or business unit. The parameter acts as a guide to allow the businesses to determine the level of impact of the risk occurring on a specific activity or processes.

Details of the risk parameters determined by the management and ratified by the Board are set out in Appendix B.

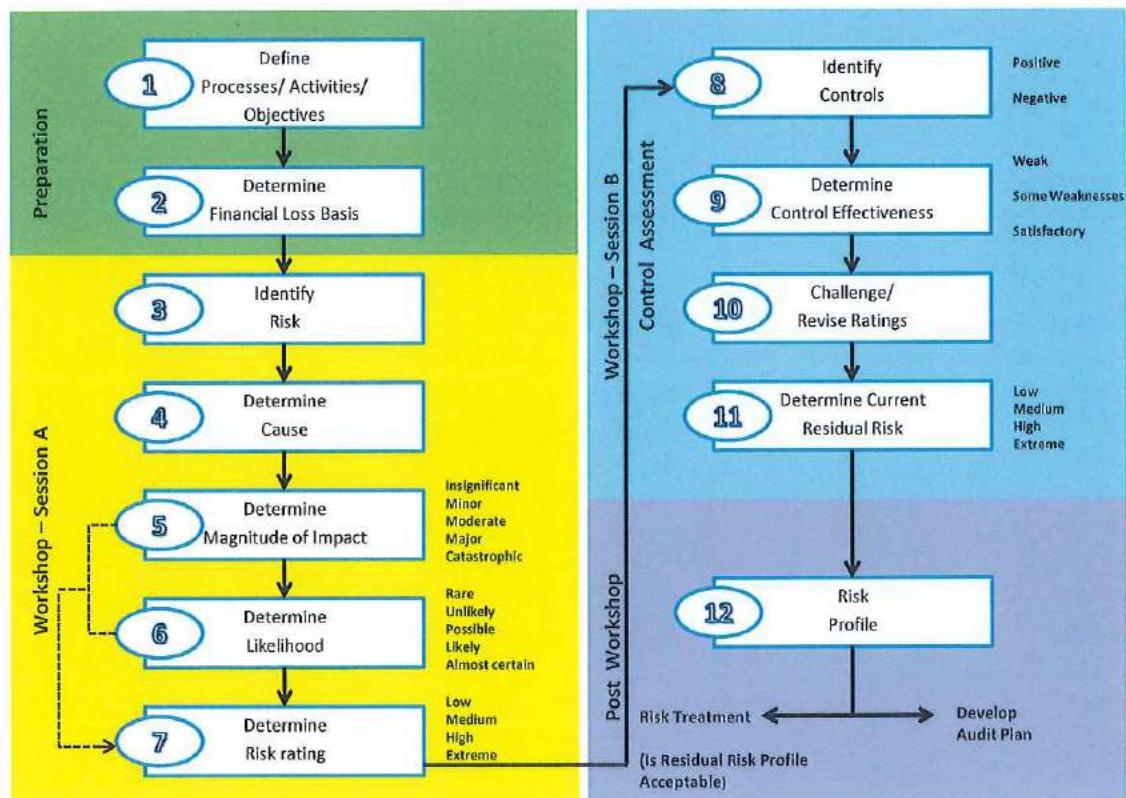
	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS		REV. DATE : 1 JUNE 2019
PAGE : 1			

3. Risk Assessment Process

The objective of the risk assessment process is to review and assess the risks associated with the process and activity of the respective businesses. The structured assessment and identification of the risk will enable the business to manage the risk in a structured manner more effectively.

3.1. Overview

The risk assessment process is illustrated in the following diagram:



Each of the steps together with examples is explained further below.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
		REV. DATE :	REV. NO. :
		1 JUNE 2019	

POLICY TITLE	RISK ASSESSMENT PROCESS	PAGE : 2
--------------	-------------------------	----------

3.2. Preparation

3.2.1. Step 1: Define processes/activities/objectives

It is useful in the risk identification phase to have some assurance that all of the key risks have been raised. The approach achieves this by first identifying the key processes and activities and objectives of each business unit.

The information is then used as a guide or “map” in the workshop session and in the preparation by business unit management prior to the workshop in thinking about the key risks.

Example:

Process:

Human Resource Management

Activities:

recruitment

training

performance appraisal

counseling

3.2.2. Step 2 : Determine financial parameters

Financial loss is the key measure used to describe the impact of a risk event occurring. It can be measured using a value (e.g. average profitability for the past 5 years) or it could be a physical measure (e.g. days of production breakdown). The financial parameters will be based on the Company’s risk appetite, which is defined as the level of risk the Company is prepared to accept to achieve its objectives.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 3

The Company's risk appetite can be expressed in terms of how much variability of return (i.e. risk) the Company is prepared to accept in order to achieve a desired level of result (i.e. return). The objective of this exercise is to determine how much risk the Company is willing to undertake.

Further, reference will be made to the Company's risk capacity, which is defined as the level of risk the Company is not prepared to exceed. In other words, the risk capacity represents the maximum loss that the Company can sustain in any one year before the Company would not survive.

Taking the risk appetite and the risk capacity into consideration, five impact categories are used:

- Catastrophic** : Disaster/extraordinary event with potential to lead to collapse
- Major** : A critical event which requires exceptional management effort
- Moderate** : A serious event which requires additional management effort
- Minor** : An adverse event which can be absorbed with some management effort
- Insignificant** : Impact can be readily absorbed through normal activity

The manner by which financial and non-financial parameters could be used to assess the financial impact of a risk event is illustrated in Appendix B.

Non-financial impacts (as mentioned in Appendix B) would also be addressed in the workshops.

Participants would be asked to consider before the first workshop, the risks which may threaten their operational area. For each of these risks they are also asked to identify the potential causes and impacts of the risk event occurring.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 4

3.3. Gross risk analysis (Workshop – Session A)

The workshop requires the participation of key managers in the business. It usually runs for two sessions (Session A and B) of approximately 2 to 3 hours each and is facilitated by appropriate personnel. For effective results, both sessions can be conducted in the same day, for example Session A in the morning and Session B in the afternoon.

One-on-one interviews with management and/or staff may also be used where it is considered more appropriate than the workshop approach.

3.3.1. Step 3 : Identify risks

Participants identify the key business risks associated with the processes within their business area. They also nominate the person or persons responsible for managing each risk area.

3.3.2. Step 4 : Determine Cause

Participants identify the situation(s) or cause(s) which could result in the risk event occurring.

The main causes of the risk are then utilized to determine within which broad risk category the risk should be recorded.

Example:

One of the risks identified may be the loss of key personnel.

Causes may include:

- Uncompetitive remuneration
- Poaching by competitors
- Poor training and development
- Poor working conditions
- Perceived lack of career opportunities

After reviewing the main causes, the risk would be included in the Human Resource broad risk category.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	RISK ASSESSMENT PROCESS		PAGE : 5

3.3.3. Step 5 : Determine Impact

Participants are asked to describe the impacts associated with each risk.

Example:

The following impacts may be identified as flowing from the risk of the loss of key personnel:

- Recruitment costs
- Production interruption
- Training costs
- Loss of morale
- Reputation damage

A rating is then assigned to each risk based on the impacts described. Primarily, this rating will be determined by the financial loss rating (explained in Step 2 above). However, other non-financial impacts (e.g. utilization factor, work stoppage, employee safety risk) are also considered in determining the rating.

3.3.4. Step 6 : Determine likelihood

Participants are asked to assign a likelihood rating (i.e. how likely is it that the entity will be exposed to each risk?). Consideration is given to:

- The anticipated frequency of the event occurring;
- The working environment;
- The procedures and skills currently in place;
- Staff commitment, morale and attitude; and
- History of previous events.

The likelihood ratings usually used are presented in Appendix C.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
		PAGE : 6	

3.3.5. Step 7 : Determine gross risk rating

The impact and likelihood ratings identified are used to determine the gross risk rating for each risk. The table used is illustrated below:

		Magnitude of Impact				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood of Occurrence	Almost Certain	Medium	High	High	Extreme	Extreme
	Likely	Medium	Medium	High	High	Extreme
	Possible	Low	Medium	High	High	High
	Unlikely	Low	Low	Medium	Medium	High
	Rare	Low	Low	Medium	Medium	High

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
		PAGE : 7	

The gross risk matrix can be illustrated as below:

		Magnitude of Impact					
		Insignificant	Minor	Moderate	Major	Catastrophic	
Likelihood of Occurrence	Almost certain	M	H	H	E	E	
	Likely	M	M	H	H	E	
	Possible	L	M	H	H	H	
	Unlikely	L	L	M	M	H	
	Rare	L	L	M	M	H	



Unacceptable level of uncertainty



Uncertainty A



Uncertainty B



Uncertainty C

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK ASSESSMENT PROCESS		PAGE : 8

By mapping the parameters for magnitude of impact against the likelihood parameters, the gross risk rating is determined using the risk matrix table as illustrated above. The most significant risks are in the top right hand area of the matrix (denoted by "E" or "H" for Extreme and High risk ratings respectively). These extreme/high gross risks are determined before taking into consideration the control effectiveness to be completed in the pre-work before Workshop – Session B. These are the important areas to the Group and will be the focus of the workshop.

Please refer to Appendix D for the pre-work for Workshop – Session A.

3.4. Control assessment (Pre-work for Workshop – Session B)

3.4.1. Step 8 : Identify controls

At the end of Session A in the workshop, the risks identified will be allocated between the responsible managers to enable pre-work on the effectiveness of controls in relation to the risks identified. The pre-work will be completed in-group discussions before the commencement of Session B, which primarily focuses on control effectiveness assessments.

The information collected during session A will be collated and provided following the session. All managers will be provided with the *risk registers* for each risk for which they have been identified as the responsible manager.

An example of the risk register is provided in Appendix G.

The managers are asked to review the positive and negative control considerations in determining the control effectiveness rating as follows:

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 9

Example:

Risk of loss of key personnel:

Positives

Awareness of market remuneration levels

Regular remuneration reviews

Well developed training program

Negatives

to implement succession planning

to establish career development program

Positive control refers to existing control established by management to manage the identified key business risks. Negative controls are controls currently not in place but should be considered by management to mitigate the key business risks, for example as good management practice.

3.4.2. Step 9 : Determine control effectiveness

Once the key controls have been identified, an assessment of the effectiveness is made. The ratings used are presented in Appendix E.

The effectiveness of the controls is assessed in terms of their design strength and the overall likelihood of effectiveness in reducing the gross risk to residual risk.

Please refer to Appendix F for the pre-work for Workshop – Session B.

3.5. Residual risk analysis (Workshop – Session B)

3.5.1. Step 10 : Challenge/review ratings

During the Workshop – Session B, the management team is given the opportunity to discuss and challenge the rating proposed as a result of the work undertaken prior to the workshop. Changes to ratings may result.

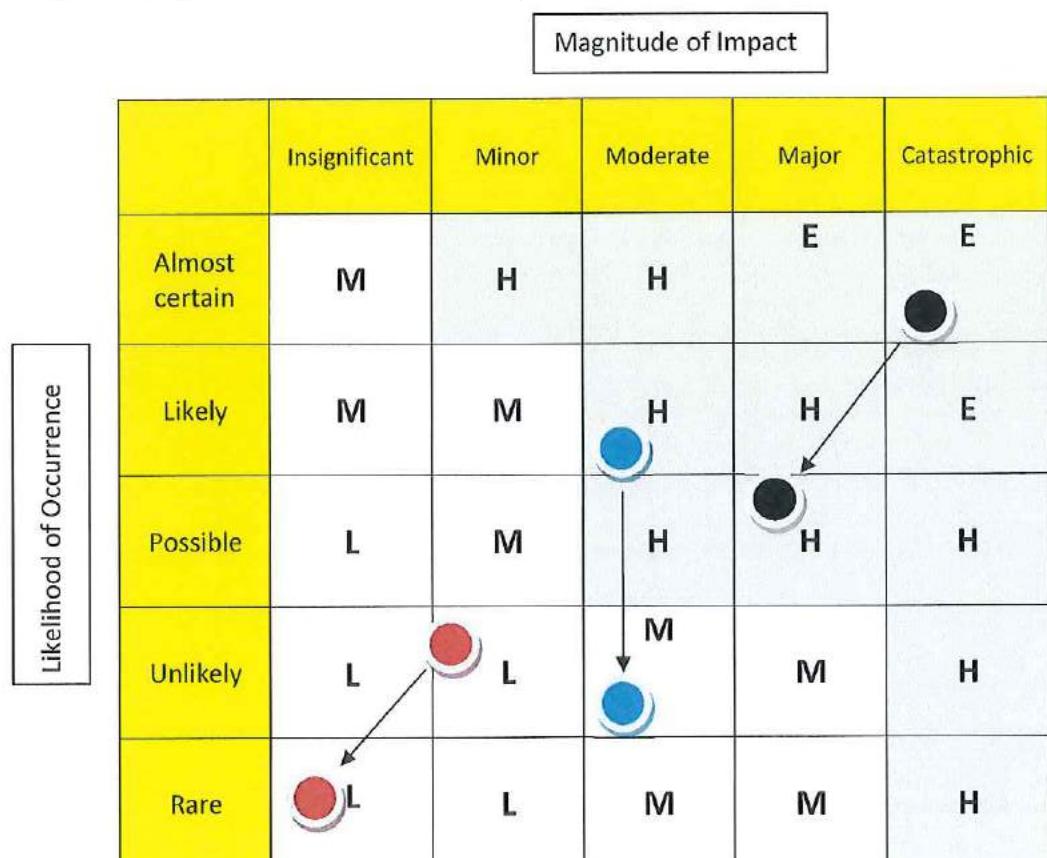
	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	RISK ASSESSMENT PROCESS		PAGE : 10

3.5.2. Step 11 : Determine current residual risk rating

The residual risk represents the risk, which remains after considering the controls in place to mitigate the risk.

This rating is a combination of the gross risk rating (after step 7) and the control effectiveness (steps 9 and 10). For example, if the controls were effective, the gross risks categorized as "Extreme" (concentrated on the top right hand area of the risk matrix) would be moved downwards towards the "High" and "Medium" areas of the matrix (bottom left hand area of the matrix).

The Residual Risk Matrix below illustrates the movement of the gross risk to residual risk after taking into account the control effectiveness in place which mitigates the gross risks mentioned in step 7:

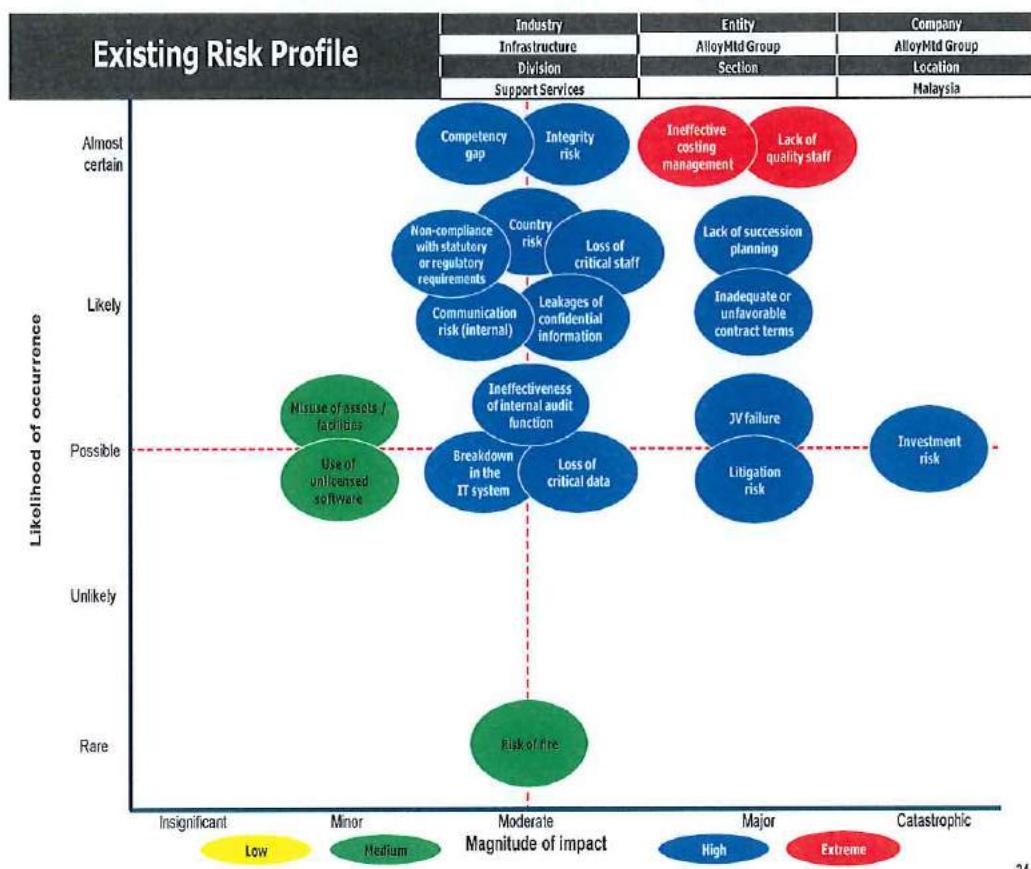


	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 11

3.5.3. Step 12 : Risk profiling

After the workshop, the risk registers and the management team will confirm residual risk ratings. A risk profile will be prepared as illustrated in the chart below:

Risk Profile: Support Services (Others)



24

At the completion of this risk assessment process, the management team then must consider the residual risk levels and decide whether they are acceptable in the context of the entity's objectives. The objective is not to eliminate all residual risk but rather to ensure that residual risk is maintained at an acceptable level in a cost effective manner.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 12

Risk treatment

The risk profile enables the management team to make conscious and visible risk management decisions.

The options available to management teams in addressing the residual risk, which is at an acceptable level after a risk profile has been completed, have been discussed in Section 1.7.

Carry out self-assessment

Self-assessment promotes the philosophy that it is the people who work in the area who should be involved in the planning, implementing and monitoring of the controls in their area of responsibility. Management may decide that it is appropriate for people in their area to more closely assess their controls. Self-assessment can be carried out in a workshop situation, or by comparing existing controls against benchmark guides.

Internal audit

The risk profile also enables an effective internal audit plan to be developed as:

- The risk profiles will provide the internal audit department with a framework to prioritize operational reviews throughout the Group;
- Management and audit resources can be directed to high risk areas on an informed basis; and
- An overall audit plan can be developed in the risk assessment process.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 13

3.5.4. Step 13 : Risk Action Plans implementation

The management teams must focus on the critical risks i.e. the “High” and “Extreme” residual risks and decide on the risk treatment and develop a risk action plan for the risks. The risk action implementation process is illustrated below:

Risk Action Implementation Process



Identification of Risk Owner and Co-owners

A Risk Owner is identified for each risk. A Risk Owner is a person with the accountability and authority to manage the risk. For risks which are impacting more than one Department / Sector / Operating Company, the Risk Owner identified will be responsible for managing risk across the Group together with a group of identified Risk Co-Owners.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 14

Risk Owners for key risks of the Group should be selected from the Senior Management team within the Group so as to enhance the effectiveness of risk monitoring and management activities. The GERMD will provide recommendation on the selection of Risk Owners and Risk Co-Owners for endorsement by the CEO. The Risk Co-Owners identified may be from various Business Units/Departments/Operating Companies.

Once the Risk Owners and Risk Co-Owners are identified, a risk action planning briefing should be provided by GERMD. The objectives of the briefing are:

- To provide awareness and understanding on the approved ERM policy, reporting structure, roles and responsibilities, and reporting timing and frequency;
- To provide awareness on types of risk treatment options available (to further address the risk) as well as detailed factors to be considered (for each treatment option) before deciding on the treatment option; and
- To provide information on techniques of developing comprehensive risk action plans.

Risk Owners and Risk Co-Owners are given the opportunity to review and update the root causes and existing controls before commencement of risk action plans development.

Identification of Risk Treatment Options and Determining Rationale

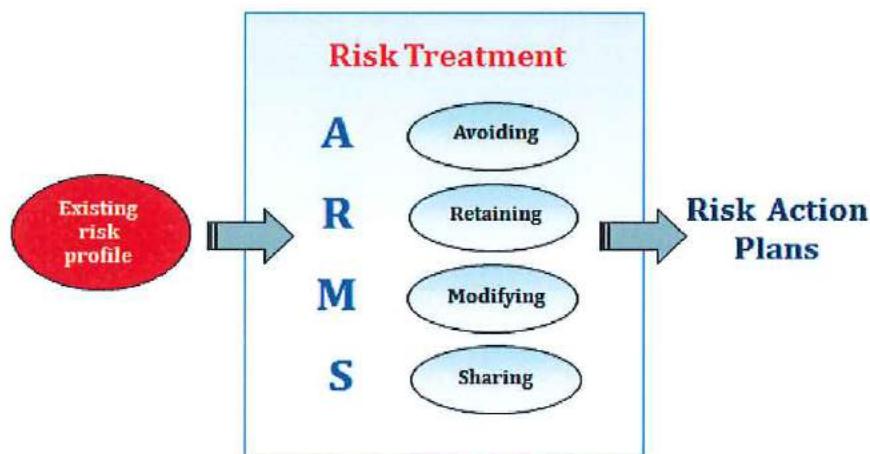
It is not cost-effective to mitigate all risks, hence it is necessary to analyse and decide on the most appropriate risk treatment option.

In general, the cost of managing risks needs to be commensurate with the benefits obtained. When making such cost versus benefit judgments, the context should be taken into account. Risk treatment should also be decided upon reviewing the root causes and controls.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	RISK ASSESSMENT PROCESS		
	PAGE : 15		

Decision on risk treatment should also consider critical risks that may warrant risk treatment action that is not justifiable strictly based on economic grounds. Under certain situation, social responsibility requirements may override simple financial cost-benefit analysis.

Treatment of the risk should be part of an overall treatment strategy; hence the treatment strategy should be a top down process, driven with the need to achieve the objectives specified while controlling uncertainty to the acceptable level.



Monitoring the Initial Action Plan Preparation Process

Following the finalization of risk treatment option for the individual risk identified, Risk Manager should review the root causes of the individual risk and prepare appropriate key strategies of proposed action plan for each risk.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 16

Objective of the key strategies development process is to assist GERMD, Risk Owners and Co-owners to stay focus on the detailed action plans preparation. Related root causes should be grouped together to facilitate the identification of key strategies and eventually the risk action plans. Respective Risk Owners and Co-owners should also identify the appropriate key strategies together via group discussion sessions. Thereafter, GERMD should conduct a workshop with Risk Owner and Co-owners to brainstorm and agree on the most appropriate key strategies for subsequent detailed action plans development. Upon completion of the key strategies, GERMD needs to monitor the initial action plan preparation and provide necessary guidance to the Risk Owners and Co-owners for completion of their action plans. GERMD may also carry out research on the action plans which may be appropriate based on their experience on the Group activities and share the result during the workshop.

Detailed Risk Actions Preparation

Risk Owners and Co-owners are required to prepare comprehensive risk action plans which include: proposed detailed actions; responsibilities; budget allocation (i.e. estimated expected implementation cost); detailed timetable for implementation of the action plans; resources requirement e.g. tools, people (skilled) and information; and details of the review and monitoring mechanism including staff responsible and frequency of the action plan. In the event that Risk Owners and Co-owners have begun their action plan, Risk Owners need to demonstrate the current initiative or present their action plan to GERMD to determine the appropriateness of actions taken for addressing the risk. Upon receiving the action plans from the Risk Owners, GERMD may call for a workshop session to discuss and agree on the final action plans. GERMD will act as a facilitator and provide input where required and reviews the action plans.

Endorsement by Board

Completed risk action plans for key risks are compiled by GERMD for presenting to the Board for endorsement.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 17

3.6. Risk Scenario Analysis

A risk assessment should be complemented by other qualitative and quantitative tools and methodologies. It also should be accompanied with a risk scenario analysis by challenging how the existing controls or action plans might operate in a plausible situation. By shaping our plans and decisions based on the most likely scenarios, we can ensure that our decisions are sound even if circumstances change.

The output from risk scenario exercise can be integrated into operational plans for staffing, budgeting, crisis management, disaster recovery, and communication methods. Key questions to be addressed during the risk scenario process can include:

- How quickly could the scenario occur?
- How should we mitigate identified combinations of risks?
- How should we monitor activities to prevent negative outcomes?
- How quickly can the organization recover?

The process of developing risk scenarios has a number of positive benefits, including generating deep and interesting discussions by leaders on the potential business challenges, knowing whom to call in case of a risk event or learning that an expected plan or policy is missing. Other times, developing risk scenarios could discover that the company is not ready to pursue a key strategic initiative without acquisition of the right execution skills or capabilities.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 18

A simple five-phase Scenario Analysis process is described below:

1. Define the Problem

First, decide what we want to achieve, and think about the time horizon we want to look at. This will be driven by the scale of the plans and scenarios that we want to test.

2. Gather Data

Next, identify the key factors, trends, and uncertainties that may affect the plan. If our plan is a large-scale one, we may find it helpful to use any analysis tool such as PEST Analysis (analysis on political, economic, social and technology aspects). Then, identify the key assumptions on which the plan depends.

3. Separate Certainties From Uncertainties

We may be confident in some of our assumptions, and we may be sure that certain trends will work through in a particular way. After challenging them appropriately, adopt these trends as our "certainties." Separate these from the "uncertainties" – trends that may or may not be important, and underlying factors that may or may not change. List these uncertainties in priority order, with the largest, most significant uncertainties at the top of the list.

4. Develop Scenarios

Now, starting with our top uncertainty, take a moderately good outcome and a moderately bad outcome, and develop a story of the future around each that fuses our certainties with the outcome we've chosen. Then, do the same for our second most serious uncertainty. Don't do too many scenarios in this step, or we may find ourselves quickly hitting "diminishing returns."

5. Use the Scenarios in Our Planning

We can now use the scenarios we came up with in our planning.

6. Report to Stakeholders

The reporting of the status of risk and control within the Group needs to be simple and employ visual dialogue concepts to convey the information.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 3	ISSUE: 2
POLICY TITLE	RISK ASSESSMENT PROCESS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 19

The overall intention of the reporting process is to eliminate duplication of information at all levels and to provide a reliable reporting that can be used cross divisional and product boundaries, thereby facilitating a broad benchmarking and comparative analysis base.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE		PAGE : 1

4. Risk Communication and Risk Structure

4.1. Risk communication

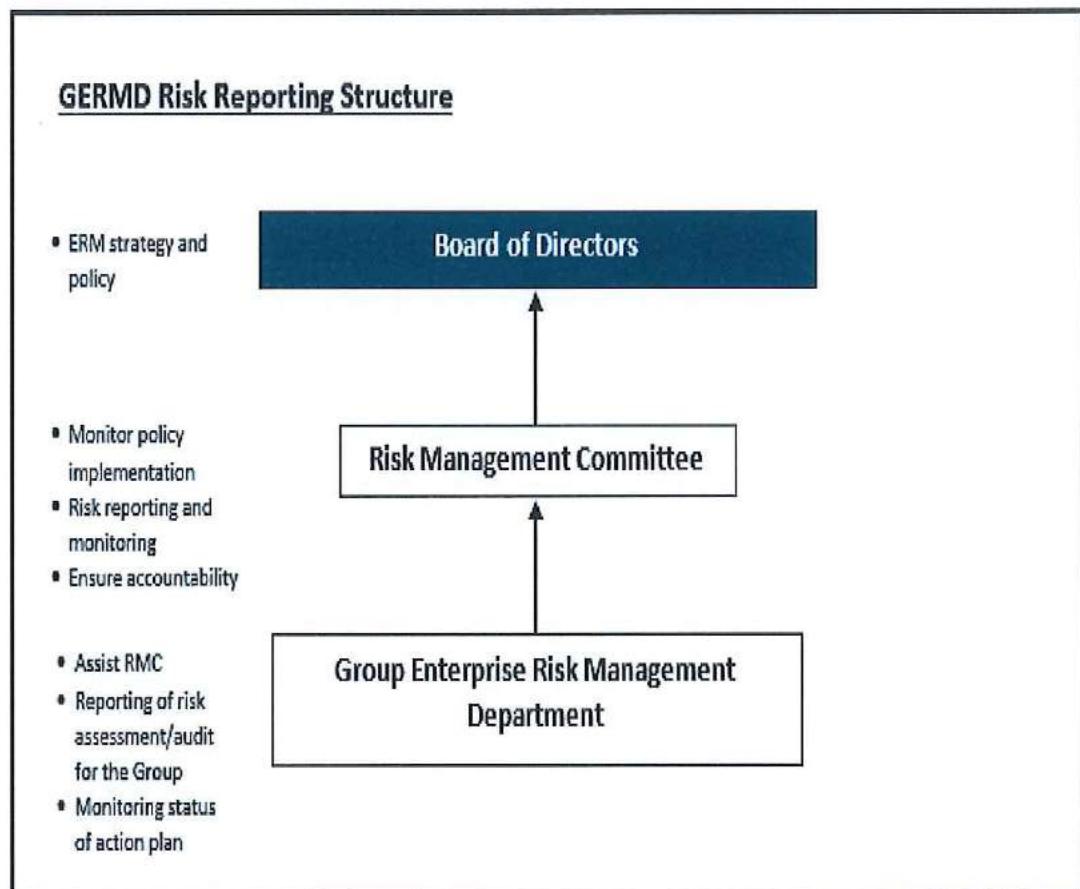
Communication and consultation are an important consideration at each step of the risk management process. It is important to develop a communication plan for both internal and external stakeholders at the earliest stage of the process. The factors to consider in addressing the issues relating to both the risk and the process to manage the risk are:

- Communication and consultation should involve a two way dialogue between stakeholders with efforts focused on consultation rather than one way flow of information from decision maker to other stakeholders;
- Internal communication should be centrally collated, either by the Risk Management Committee or Group Enterprise Risk Management Department, with input directly from the business units/functions at the point of identification;
- Periodic management summary should be prepared (see Section 4.2 and 5) and defined exceptional reporting is established (see Appendix G to K); and
- Since stakeholders (internal and external) can have a significant impact on the decisions made, it is important that their perceptions of risk, as well as their perceptions of benefits, be identified and documented and the underlying reasons for them understood and addressed.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE		PAGE : 2

4.2. Group risk structure

The table below illustrates the reporting structure for effective risk management.



	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE		PAGE : 3

4.2.1. Board of Directors

The Company's Board of Directors retains the overall risk management responsibility in accordance with Principle 6 of the MCGC 2012, which requires the Board to identify principal risks and ensure the implementation of appropriate systems to manage these risks.

The principle roles and responsibilities of the Board in risk management are as follows:

- Determine risk management policy;
- Approve risk management philosophy;
- Overall risk management oversight;
- Communication with external shareholders and other stakeholders; and
- Review the risk profile of the Group.

The Board shall approve the risk management strategies but will delegate authority for day to day decisions to the Risk Management Committee.

4.2.2. Risk Management Committee (RMC)

A RMC has been established at the group level which the majority comprises of independent directors. This committee shall meet at least twice a year. Meetings can be conducted at more frequent intervals should conditions require.

The principal roles and responsibilities of the RMC in risk management are as follows:

- Create and/or recommend risk strategy (policy), framework and/or procedure aligned with the Group's strategic business objectives;

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE	PAGE : 4	

- Perform risk oversight and review risk profiles of the Group and organizational performance;
- Identification of enterprise risk which could impact the Group's business objectives; and
- Communicate/highlight to the Board of the risk profiles affecting the Group's business and operations to enable the Board and the Management to focus on the risks and to recommend and/or implement risk action plans to mitigate the risks.

Significant risk issues evaluated by the RMC and/or major changes proposed will be discussed at the Group's Board meeting.

The RMC in turn is assisted by the Group Enterprise Risk Management Department who acts as the coordinator (see section 4.2.4).

In the scope of the risk management policies set out in this policy and procedure document, the RMC are primarily responsible for review of the risk management process. The same principle applies analogously to the Group Enterprise Risk Management Department (GERMD), where risks monitoring accountability rests with the GERMD covering all subsidiaries and respective business units within the Group.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE	1 JUNE 2019	
		PAGE : 5	

4.2.3. Group Enterprise Risk Management Department (GERMD)

A GERMD (who is primarily accountable for the permanent effectiveness of the risk management system) should be distinguished from a risk owner, the latter being such person within the Group who is able to actively influence the identified risk through decisions and actions.

The following functions and duties are incumbent on a GERMD:

- Acting as central contact and guide for ERM issues within the Group;
- Coordinating the issuance of group-wide uniform ERM standards, combined with the authority to set guidelines with the approval of RMC;
- Coordinating ERM routinely within the Group;
- Supervising ERM policy implementation at Group level;
- Developing and updating the ERM system at Group level after consulting with RMC;
- Documenting the ERM system at Group level;
- Condensing ERM and risk situation information;
- Aggregating the Group's risk position and half-yearly reporting to the Board on the risk situation/status and;

The Heads from the respective business units shall be responsible to deal with its own ERM system, and reports on the Company's risk situation as well as the results of risk to GERMD.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE		PAGE : 6

4.2.4. Day to day risk management

The day-to-day management resides with the respective business units. These units are either:

- The individual corporate departments for centralized functions/processes (finance, company secretarial, human resources etc) of the Group, under the responsibility of the corporate department heads;
- The individual business units or operations, under the responsibilities of the Heads of the Business Unit; and
- The subsidiaries of the Company, under the responsibilities of each subsidiary's board or equivalent.

The business unit's management is accountable for the comprehensiveness of the risks identified, their assessment, as well as their bottom-up reporting. Actively managing risks are the key duty for any manager. Managers shall assist risk owners in identifying, measuring, controlling, monitoring and reporting risks and have both the right and obligation to contribute to risk management.

The principal roles and responsibilities of the business unit's management are as follows:

- Manage business unit's risk profile;
- Report risk exposures to the GERMD;
- Develop and implement action plans to manage risks;
- Report status of action plans to the GERMD; and
- Ensure critical risks are considered in the management plan.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE	PAGE : 7	

4.2.5. Internal audit function

Internal auditing is an independent, unbiased function which contributes by means of auditing and consultancy to the proper assessment of the risk situation, vulnerability, value enhancement and business improvement.

As such, the Internal Audit department is involved in validating the results of the ERM processes.

The Group Internal Audit function examines the risk management systems for the completeness, comprehensiveness and reliability, besides verifying the ERM system for adequacy and effectiveness. The Group Internal Audit reports directly to the Audit Committee.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 4 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK COMMUNICATION AND RISK STRUCTURE		PAGE : 8

4.3. Timing of report

The following table illustrates the timing and frequency of reporting of each of the reporting unit:

Departments/ Functions	Reporting to	Frequency of reporting	Report/Format
<i>Company level</i>			
GERMD	Risk Management Committee Board of Directors Audit Committee	Every half-yearly Every half-yearly Every half-yearly	- Executive summary (Appendix H) - Group Risk Profile (Appendix I) - Risk registers (Appendix G) - Group Risk Action Plans Status worksheet for critical risks (Appendix J) - Flash report, on need basis (Appendix K)
			-
<i>Business Unit level</i>			
Heads of Business Unit / Risk Owners	GERMD	Every quarter	- Group Risk Action Plans Status worksheet for critical areas (Appendix J) - Flash report, on need basis (Appendix K)
<i>Others</i>			
Internal Audit	Audit Committee, Executive Management	Based on internal audit plan	Internal audit reports

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5	ISSUE: 2
POLICY TITLE	RISK MONITORING	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 1

5. Risk Monitoring

Risk monitoring includes evaluating the effectiveness of the risk treatment plan, review risk strategies and the risk management system which is set up to control implementation. Risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter risk priorities.

On-going review is essential to ensure that the management plan remains relevant. Factors, which may affect the likelihood and impact of an outcome, may change, as may the factors which affect the suitability or cost of the various treatment options. It is therefore necessary to regularly repeat the risk management cycle. Review is an integral part of the risk management treatment plan.

5.1. Key monitoring functions

5.1.1. Management functions

Risk management supervision is the managerial duty of the respective supervisor which cannot be delegated. Some of the procedures are firmly incorporated in the internal controls procedures of the Group. Examples of tools that are being used are:

- Monthly budget variance analysis
- Monitoring for compliance with the reporting threshold e.g. Bursa announcement, MFRS compliance, etc;
- Approval and control of risk reporting as set out in Section 4;
- Regular analysis of intra-group information and external information on market data, changes in regulations, etc;
- Human resource management especially on personnel recruitment, retention, appraisal and succession planning; and
- Staff training and skill development.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5 REV. DATE : 1 JUNE 2019	ISSUE: 2 REV. NO. :
POLICY TITLE	RISK MONITORING		PAGE : 2

5.1.2. Internal audit

Internal audit should play an active role which focuses on:

- Facilitating systematic profiling of all risk areas of the Group;
- Providing objective assurance on the adequacy and integrity of the existing system of internal control, including the ERM processes;
- Continuous application of the ERM policies and procedures as set out in this policy and procedure document; and
- Compliance testing of internal control.

5.1.3. External auditors

External auditors conduct system audit of the risk management that focuses on:

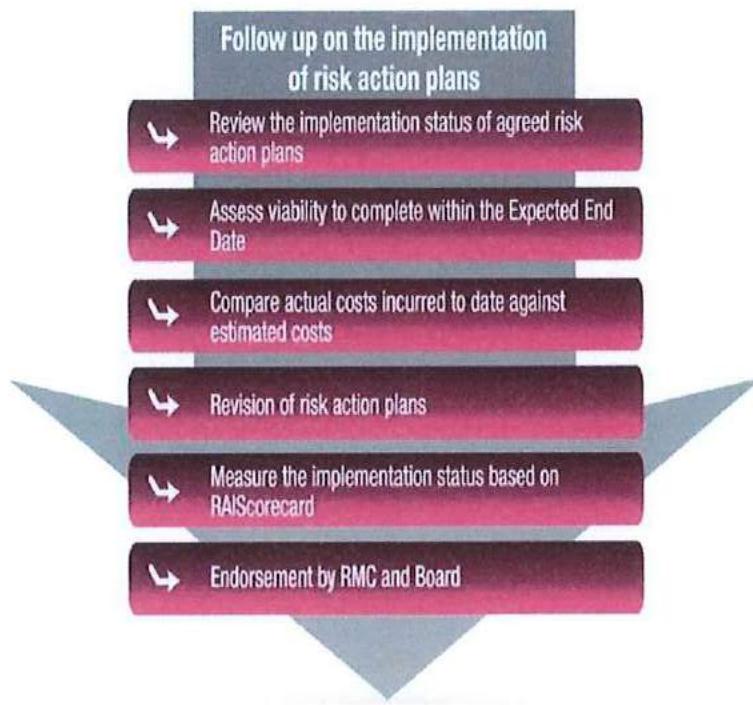
- Systematic approach to risk management;
- Adequate communication of risk management issues / risk policy principles; and
- Sample testing of risk management for effectiveness and continuous application, all with a view of expressing an opinion on the financial statements.

Through such a systems audit, the statutory auditors ascertain whether the steps taken by the auditee are generally appropriate to identify, assess and communicate the significant risks so that the management can properly respond.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5	ISSUE: 2
POLICY TITLE	RISK MONITORING	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 3

5.2. Monitoring of Risk Action Plans

Risk Action Plans should be monitored for its implementation. The process is illustrated below:



Review the Implementation Status of Agreed Risk Action Plans

Risk action plan implementation status is verified and confirmed with respective Risk Owners, Risk Co-owners and Person In-charge via the following methods: interviews; group discussions; facilitated workshops; high level review of documents; consultation with subject matter expert; and any other methods that deemed appropriate to measure the action plans implementation status.

Assess Viability to Complete Within the Expected End Date

The expected end date is revised in the event the action plan could not be completed within the original planned expected end date.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5	ISSUE: 2
POLICY TITLE	RISK MONITORING	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 4

Compare Actual Costs Incurred to Date Against Estimated Costs

The actual cost incurred to date is compared against the estimated costs. A variance analysis should be carried out to identify reasons for the variances. The estimated costs should be revised, if the reasons are justifiable.

Revision of Risk Action Plans

Action plans are revised accordingly in the event if there are any changes to the business operations, business plans, cost-benefit analysis or due to other factors such as political, economical and environmental changes, which may have occurred in the process of implementing the action plans. In addition, changes to the Risk Owner, Risk Co-owners and Person In-charge should be updated in the Risk Action Plan Status Report.

Measure the Implementation Status Based on Risk Action Implementation Scorecard

Implementation status of individual risk action plan is measured using a scorecard to determine the progress of risk action plans implementation (refer to Section 5.3 for details of the measurement mechanism).

Endorsement by Board

Completed risk action plans status updates are compiled by GERMD for submission to the Board for endorsement.

Risk action plan implementation status and progress which includes the progress report, revised expected end date, revised and actual costs, revised action plan and scorecard results are reported using the Risk Action Plan Status Report. Justifications are required in the Risk Action Plan Status Report in the event of any changes to the expected end date, actual or estimated costs and revisions to actions (including action plans which are no longer applicable), if required.

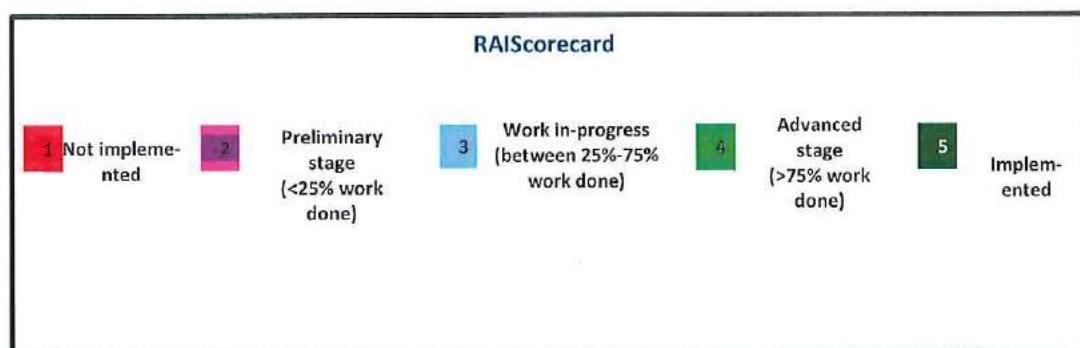
	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5	ISSUE: 2
POLICY TITLE	RISK MONITORING	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 5

5.3. Measurement of Risk Action Plans Implementation Status

Individual risk action plans (RAPs) are subject to independent assessment (by external or internal party) to determine and confirm the state of its implementation. Each action plan will be scored / assessed using a score card (*i.e. 'RAIScorecard'*)

There are 5 ratings to be used for the measurement of RAP implementation status. The lowest rating (1) is used when the particular action plan has not commenced. Rating 2 refers to action that has commenced, but it remains at the preliminary stage, only initial planning and preparation work has commenced. Rating 3 is used when the implementation work is progressing and major part of the action has commenced. Rating 4 is referred to the status where substantial part of the action plans have been completed, only pending Senior Management review and approval for implementation. Rating 5 indicates full completion and implementation of the action plans, for example the particular action / control has been incorporated as part of existing Standard Operating Procedures (SOP).

The individual score / rating of each action plan (for a particular risk) will be totaled and divided by the total number of action plans for such risk (*i.e.* a simple average calculation approach). This result is then reported to Senior Management as an overview to the overall implementation status of a particular risk.



	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5	ISSUE: 2
POLICY TITLE	RISK MONITORING	REV. DATE : 1 JUNE 2019	REV. NO. :
		PAGE : 6	

RAIScorecard (example)

Implementation status of risk action plans



5.4. Documentation

Each stage of the risk management process should be documented. Documentation should include assumptions, methods, data sources and results.

The documents used are:

- Executive summary (see Appendix H);
- Risk profile/matrix (see Appendix I);
- Risk Action Plans Status worksheet (see Appendix J);
- Risk register and Risk Action Plans Register (see Appendix G); and
- Flash report (see below and Appendix K);

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 5	ISSUE: 2
POLICY TITLE	RISK MONITORING	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 7

As an exception to the regular risk reporting as set out in Section 4, ad-hoc reporting through Flash Report relates to sudden and unexpected risks impacting significantly on the Group's net assets, financial position or results of operations. These are reported directly to the GERMD/RMC for onward reporting to the Board of Directors, without following the usual reporting channels. The same applies to events and incidents already occurred or expected if involving reputation risks, significant safety, health and environment issues or major financial losses. The ad-hoc or flash reporting mechanism aims to immediately inform the Executive Management and the Board about sudden significant risks or pertinent risk issues.

Please refer to Appendix H, I, J, G and K for pro-forma risk reporting templates.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : 6	ISSUE: 2
		REV. DATE :	REV. NO. :
POLICY TITLE	REPORTING OF NEW RISK IDENTIFIED		PAGE : 1

6. Reporting of New Risk Identified

In the event of new risk being identified, the business unit needs to complete the step by step approach as detailed in the risk assessment process described in Section 3. The business unit shall input all the information on the risk into the Risk Management System (RIMS) to determine the risk profile and ball chart. The business unit is also required to report to the GERMD by completing the Flash Report (Appendix K). GERMD upon receipt of the risk profile will determine the magnitude of the risk profile for reporting to GERMD/RMC and the Board. Should magnitude of the risk warrant GERMD deliberation a meeting should be called otherwise GEMRD will update the half-yearly report for the Board's review.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX A	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	RISK CATEGORIES		PAGE : 1

Appendix A

Risk Categories

BUSINESS RISK FRAMEWORK – PROCESS LEVEL		
Governance	Integrity	Compliance
Authority Leadership Performance incentives Limits	Management fraud Employee fraud Illegal acts Unauthorized use	Taxation Environmental Health & Safety Regulatory
Operational		
Technology Cycle time Efficiency Product development Performance management Training	Quality Obsolescence Capacity Product/service failure HR competencies Repairs & maintenance	Customer satisfaction Shrinkage Sourcing Business interruption Motivation Security systems
Information Management	Financial Management	Human Resources
Management information system Dependence on IT Reliability External IT Assess/availability Completeness/accuracy Relevance	Budgeting and planning Cash flow Investment evaluation Financial reporting Financial instruments Funding Accounting information Foreign Currency	HR management Competencies Recruitment Recognition/retention/ Compensation Performance management Leadership development

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX B	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	RISK PARAMETERS		PAGE : 1

Appendix B

Risk Parameters

The Group has determined the following levels and definitions of risk for application.

Risk Parameters and Impact Ratings

Factor (Total PBT)	Impact				
	Insignificant	Minor	Moderate	Major	Catastrophic
Financial					
MTD ACPI Engineering Berhad	Decrease by < than 10%	Decrease by 10% - 20%	Decrease by 20% - 50%	Decrease by 50% - 80%	Decrease by > than 80%
ACPM (Manufacturing)	Decrease by < than 10%	Decrease by 10% - 20%	Decrease by 20% - 50%	Decrease by 50% - 80%	Decrease by > than 80%
Construction	Decrease by < than 10%	Decrease by 10% - 20%	Decrease by 20% - 50%	Decrease by 50% - 80%	Decrease by > than 80%

*PBT – compared with the previous FY final account.


RIJALUDDIN SALLEH
 Senior General Manager, Head
 Group Compliance & General Services Division

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX B	ISSUE: 2
POLICY TITLE	RISK PARAMETERS	REV. DATE : 1 JUNE 2019	REV. NO. :
			PAGE : 2

Appendix B (continued)

Risk Parameters and Impact Ratings (cont'd)

Factor	Impact				
	Insignificant	Minor	Moderate	Major	Catastrophic
<i>Non-financial</i>					
Legal / Regulatory / Compliance	<ul style="list-style-type: none"> ▪ No litigation consequences ▪ Issuance of advice letter 	<ul style="list-style-type: none"> ▪ Issuance of reprimand / warning letter ▪ Minimum fine 	<ul style="list-style-type: none"> ▪ Issuance of public reprimand / warning letter ▪ Moderate fine 	<ul style="list-style-type: none"> ▪ Multiple issuance of public reprimands / warning letters ▪ Heavy fines ▪ Suspension of share 	<ul style="list-style-type: none"> ▪ Delisting ▪ Closure of operations ▪ Jail sentence for directors
Health and safety	<ul style="list-style-type: none"> ▪ Injuries with no treatment or repair on asset at no cost 	<ul style="list-style-type: none"> ▪ Injuries with first aid treatment or minor repair on the asset with minor cost 	<ul style="list-style-type: none"> ▪ Medical treatment required or damage on asset has to be repaired with high cost 	<ul style="list-style-type: none"> ▪ Extensive injuries that affect productivity or major repair required on the asset with very high cost 	<ul style="list-style-type: none"> ▪ Death or huge repair with huge cost required
Reputation / Media	<ul style="list-style-type: none"> ▪ No permanent damage in the short or long term 	<ul style="list-style-type: none"> ▪ Minor impact due to complaints/ unfavorable media coverage but would not disrupt the organizations' routine operations 	<ul style="list-style-type: none"> ▪ Significant media coverage/ complaints to authority/ stakeholders/ press that could disrupt the organizations' operations in short or medium term 	<ul style="list-style-type: none"> ▪ Unfavourable publicity or media coverage affecting corporate image that requires immediate remedial actions or response 	<ul style="list-style-type: none"> ▪ Unfavourable publicity or media coverage with long term adverse effects on corporate reputation and disruption of business that require immediate remedial actions or response
<i>Risk impact description</i>	An event where the impact can be absorbed / managed through routine activity.	An event where the impact can be absorbed / managed with minimum management effort.	An event that causes the business to sustain negative financial / non-financial impacts that would require some work / planning from Management to manage the issue.	An event that could lead the business to sustain huge adverse financial / non-financial impacts that would require hard work from Management to manage the issue	An event that could potentially crumple the entire business in the long-term.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX C	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	DETERMINE LIKELIHOOD		PAGE : 1

Appendix C

Determine Likelihood

Likelihood Ratings

Likelihood Ratings

Description	Risk Description
Almost Certain	The risk may occur in most circumstances or certainly occur within the 12 months period.
Likely	The risk may occur several times in the next 12 months.
Possible	The risk may occur at least once in the next 12 months.
Unlikely	The risk may occur less frequently but at least once in the next 3 years.
Rare	The risk may occur in exceptional circumstances and is unlikely to occur in the next 5 years.

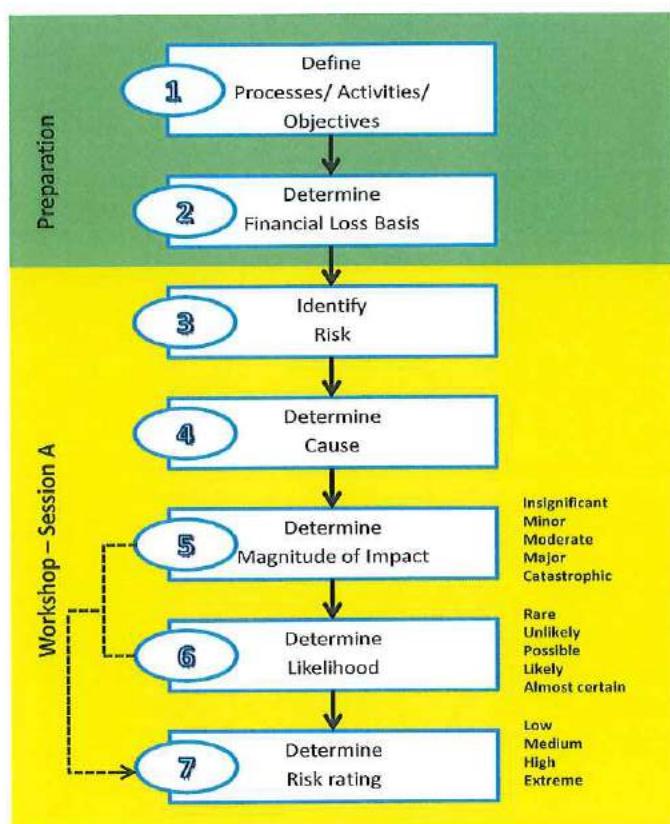
	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX D	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	PRE-WORK FOR WORKSHOP-SESSION A		PAGE : 1

Appendix D

Pre-work for Workshop-Session A

Steps 1 and 2 which cover corporate objectives and the determination of financial loss basis, are to be determined prior to the workshops by as large an extent as possible.

Recap: Steps 3 to 7 of the process will be completed during the workshops/interviews.



	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX D	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV. NO. :
POLICY TITLE	PRE-WORK FOR WORKSHOP-SESSION A		PAGE : 2

Appendix D (continued)

Pre-work for Workshop-Session A

Worksheet

Managers are asked to consider prior to the workshop the key risks in their own area of operations as well as the business as a whole.

For each risk the following factors should be considered:

- Description of risk
- Root causes
- Impact
- Impact rating
- Likelihood rating

Blank worksheets are provided (following) to assist in the recording of risks considered in the pre-work.

Risk description	Root causes	Impact (describe)	Impact Rating	Likelihood Rating	Gross Risk Rating
Loss of key personnel (example only)	<ul style="list-style-type: none"> • Uncompetitive remuneration • Poaching by competitors • Poor training and development • Perceived end of career opportunities 	<ul style="list-style-type: none"> • Business interruptions • Increased cost of recruitment and re-training • Loss of morale • Damage to reputation • Loss of customers 	Moderate	Likely	High (refer to risk matrix)

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX E	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	DETERMINE CONTROL EFFECTIVENESS		PAGE : 1

Appendix E

Determine Control Effectiveness

Overall, how would you rate the effectiveness of controls in managing this risk, considering control strengths and weaknesses?

Control Effectiveness

Control Effectiveness

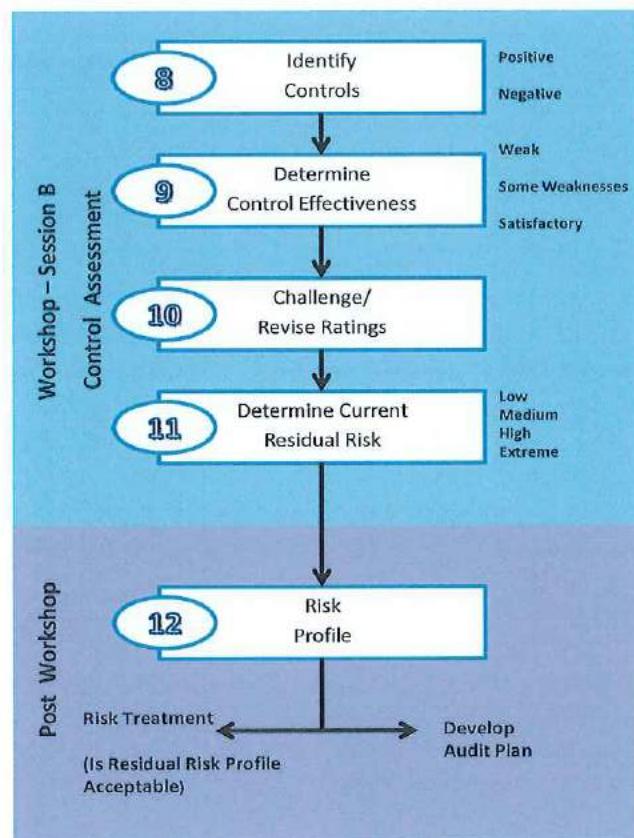
Description	Risk Description
Satisfactory	Controls are well managed, operating consistently, and meet compliance requirements.
Some weaknesses	Some control weaknesses / inefficiencies have been identified. Although they do not present serious risk exposures but improvements in the controls are required.
Weak	Unsatisfactory controls state which does not meet the acceptable standards, as many control weaknesses / inefficiencies have been identified.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX F	ISSUE: 2
POLICY TITLE	PRE-WORK FOR WORKSHOP-SESSION B	REV. DATE : 1 JUNE 2019	REV.NO. :
PAGE : 1			Appendix F

Pre-work for Workshop-Session B

Recap: Steps 8 and 9 should be completed as pre-work prior to Workshop-Session B

Steps 10 and 11 are completed during Workshop-Session B.



	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX F	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	PRE-WORK FOR WORKSHOP-SESSION B		PAGE : 2

Appendix F (continued)

Following the completion of the Workshop-Session A, managers will be provided with the risk registers for each risk for which they have been identified as the responsible manager.

Managers will be asked to consider the following factors prior to Workshop-Session B:

- The key control considerations (positive and negative); and
- The control effectiveness rating.

An example of risk register is attached (see Appendix G) indicating the type of information required. Managers are encouraged to involve others in their work team in this work. Copies of completed worksheets on controls will be discussed prior to Workshop-Session B.

During the Workshop-Session B, the control information is debated, challenged and finalized.

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX G	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	RISK REGISTER AND RISK ACTION PLANS REGISTER		PAGE : 1

Appendix G

Risk Register and Risk Action Plans Register (Example)

RISK REGISTER

Human Capital Management

Specific risk	Lack of quality staff		
Description	There are concerns that certain staff lack pro-activeness, integrity, ethics and discipline in their conduct of daily work resulting in project losses and inefficiency in work processes which may affect the Group's overall results. Management has taken steps to address this risk but the process has been slow in view of the in-build culture of certain staff who refuse to change or improve.		
Root causes:	<p>1. Staff recruitment process, that is too traditional, may result in hiring unsuitable persons and their skills do not commensurate with the job scope.</p> <p>2. Inability to acquire external best talents/retain talents due to perceived unattractive remuneration package.</p> <p>3. Staff motivation and morale declining as staff perceived that the compensation received was not in accordance to their performances.</p> <p>4. Staff is not clear with instruction and direction given by the superior</p> <p>5. Ineffective leadership and management process.</p> <p>6. Lack of pro-activeness and critical thinking process at various levels.</p> <p>7. Lack of sense of belonging and not willing to go the extra mile.</p> <p>8. Staff mindset is not very clear on what he or she wants to achieve from the job and Company.</p> <p>9. Lackadaisical attitude.</p>		
	Existing key controls:	<p>a. Recruitment process is closely monitored and reviewed by HCD including performing background checks. (1)</p> <p>b. KPIs and Performance Management System is used as a benchmark to evaluate staff performances and has been communicated to all AlloyMtd Group staff. (3,4,6,8,9)</p> <p>c. Close monitoring of work by respective Head of Divisions and Departments and superior. (4,8)</p> <p>d. Staff that have gaps in performance is put in the Performance Improvement Plan (PIP) for performance improvement. (4,5,6,7,8,9)</p> <p>e. The latest corporate developments are communicated to staff via email by the Top Management. (7)</p>	
	Likelihood	Impact	Risk rating
Gross risk	Almost certain	Catastrophic	Extreme
Control effectiveness		Weak	
Existing risk rating	Almost certain	Catastrophic	Extreme
Risk owner			
Management decision			

Date of Report: May 2013

179

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX G	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	RISK REGISTER AND RISK ACTION PLANS REGISTER		PAGE : 2

Appendix G (continued)

Risk action plans: Lack of quality staff

Risk	Lack of quality staff				
Risk owner	Moktar Mohd Salleh - SVP, Head, Human Capital Division				
Risk co-owner(s)	1. Keith George Cowling - EVP, Head, Business Development & Manufacturing Division 2. Ir. Md Shukor Bin Mohamed - EVP, Head, Construction & Maintenance Division 3. Md. Rijaluddin Mohd Salleh - EVP, Head, Quality, Technical Audit & Overseas Concessions Division 6. Nik Firdaus Nik Hussain - SVP, Head, General Services Division 7. Harry Low - SVP, Special Projects 8. Ahmad Nazri Bin Aznan - SVP, Head, Contracts & Procurement Division 9. Memun Bl Muhamad - VP, Deputy Head, Contracts & Procurement Division				
Risk treatment	Modifying	Control weaknesses	Weak	Risk Rating	Extreme
Reason for decision	Lack of quality staff may affect decision making process, business performance and ability to enhance the business growth of MTD ACPI. It is important to recruit and retain quality staff who possess strong technical capability with good attributes that can work diligently and committed on their areas of work to support the growth of the Group.				
Key strategies	1. Enhancement of staff recruitment process 2. Staff retention and motivation programme 3. Strengthening the KPIs and Performance Management System (PMS)				
Total Expected Implementation Cost:	Time cost				
Prepared by: Risk owner & Risk co-owners Date: 12.07.13	Reviewed by: Deputy President & COO Date: 06.08.13				
Legend: ESD: Expected start date; EED: Expected end date (minimum timing of completing 1 cycle implementation); PIC: Person-in-charge Priority: Priority of the action plans are as follows: (1) action is considered critical for AlloyMtd to manage the risk effectively and must commence within the next 3 months. (2) action is considered necessary for AlloyMtd to address the risk adequately, and should commence within the next 6 months. (3) action is desirable for AlloyMtd to further enhance the overall control environment of the risk, and should commence within the next 12 months. Note: Risk action plans are developed for risks where the existing key controls are lacking or not effective.					

Date of Report: 6 August 2013

31

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX G	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	RISK REGISTER AND RISK ACTION PLANS REGISTER		PAGE : 3

Appendix G (continued)

Risk action plans: Lack of quality staff

Key strategy	1. Enhancement of staff recruitment process			
Root cause(s)	a. Staff recruitment process is too traditional, may result in hiring unsuitable persons and their skills do not commensurate with the job scope.			
Key action plan(s):				
1. To formalise and document the recruitment strategy for different business industry of the Group including construction & maintenance and manufacturing and support services by different job grades. (i.e. Recruitment of Senior staff should be carried out through professional recruiter; recruitment of toll operator should be done locally to target for the local people.)	1	01.08.13	30.09.13	MMS
2. To implement competency based interview to evaluate and select potential candidate. The competency based interview should cover at least 2 aspects which include technical competency and behaviour competency by asking highly specific questions that can help the Management to assess the skill sets, experience, capability and attributes of potential candidates in more effective manner.	1	01.08.13	30.09.13	MMS
3. To conduct refresher training on interview process, posting the right interview questions, use of evaluation matrix during interview for HODs who will be involved in the interview process.	1	01.08.13	30.09.13	MMS
4. To enhance corporate branding of the Group in the job market through participation in career fair and collaboration with top university. HCD should identify and promote the key benefits, work exposure and career development opportunities by working with MTD ACPI to attract talents.	2	01.08.13	31.07.14	MMS/ FH
Expected Implementation Cost:	1-3: Time cost	4: TBA		

Date of Report: 6 August 2013

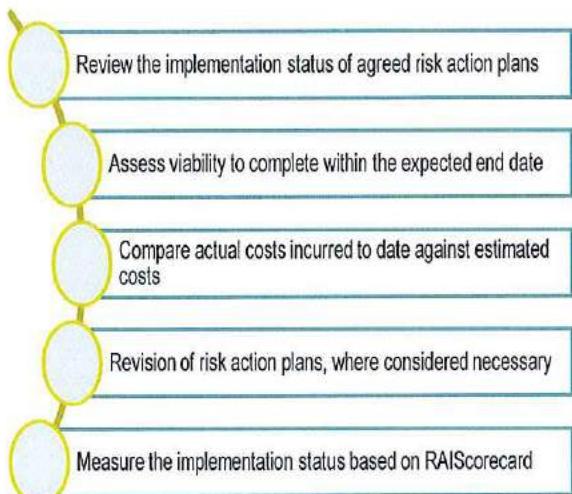
32

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	EXECUTIVE SUMMARY		PAGE : 1

Appendix H

Executive Summary (example)

Overview

<p>Introduction</p> <p>The objective of the engagement was to perform a follow up review on the implementation status of risk action plans for the top 8 risks of MTD ACPI Engineering Berhad group of companies operating in Malaysia (collectively referred to as "Group") and the top 2 risks of each business units/divisions of Group.</p> <p>The summary of implementation status of the risk action plans for the top 8 risks of the Group and the top 2 risks of each business units/division of the Group are provided in pages 5 and 6 respectively. The summary of key risk action plans implemented between January to June 2014 and key action plans that need to be implemented/completed are provided in pages 7 to 12.</p> <p>The detailed implementation status for the individual risk action plans for the top 8 risks of Group and the top 2 risks of each business units/division of the Group are provided in Sections B and C of this report respectively.</p> <p>Our Approach</p> <p>Our approach was to conduct interviews and discussions with respective risk owners, co-owners and person-in-charge(s) responsible for implementing the identified action plans for the top 8 risks of the Group and the top 2 risks of each business units/division of the Group.</p> <p>The implementation of agreed action plans is measured using a score-based methodology known as RAIScorecard. Description of the RAIScorecard is provided in Appendix 1. We have completed the following key activities in cooperation with the Management of the Group:</p>	 <ul style="list-style-type: none"> Review the implementation status of agreed risk action plans Assess viability to complete within the expected end date Compare actual costs incurred to date against estimated costs Revision of risk action plans, where considered necessary Measure the implementation status based on RAIScorecard <p>Our report is based on information presented to us on or before 18 July 2014. We have not undertaken to update our report or to revise the information contained therein for events or circumstances arising after that date.</p> <p>Whilst detailed fieldwork has not been conducted to validate the outcomes, we have of course endeavoured to correct all factual anomalies of which we were made aware.</p> <p>Next Steps</p> <p>The next steps in the ERM process will be continuing the follow-up process on the implementation of the outstanding key action plans and embedding the completed action plans into the system of internal controls of the Group.</p>
---	--

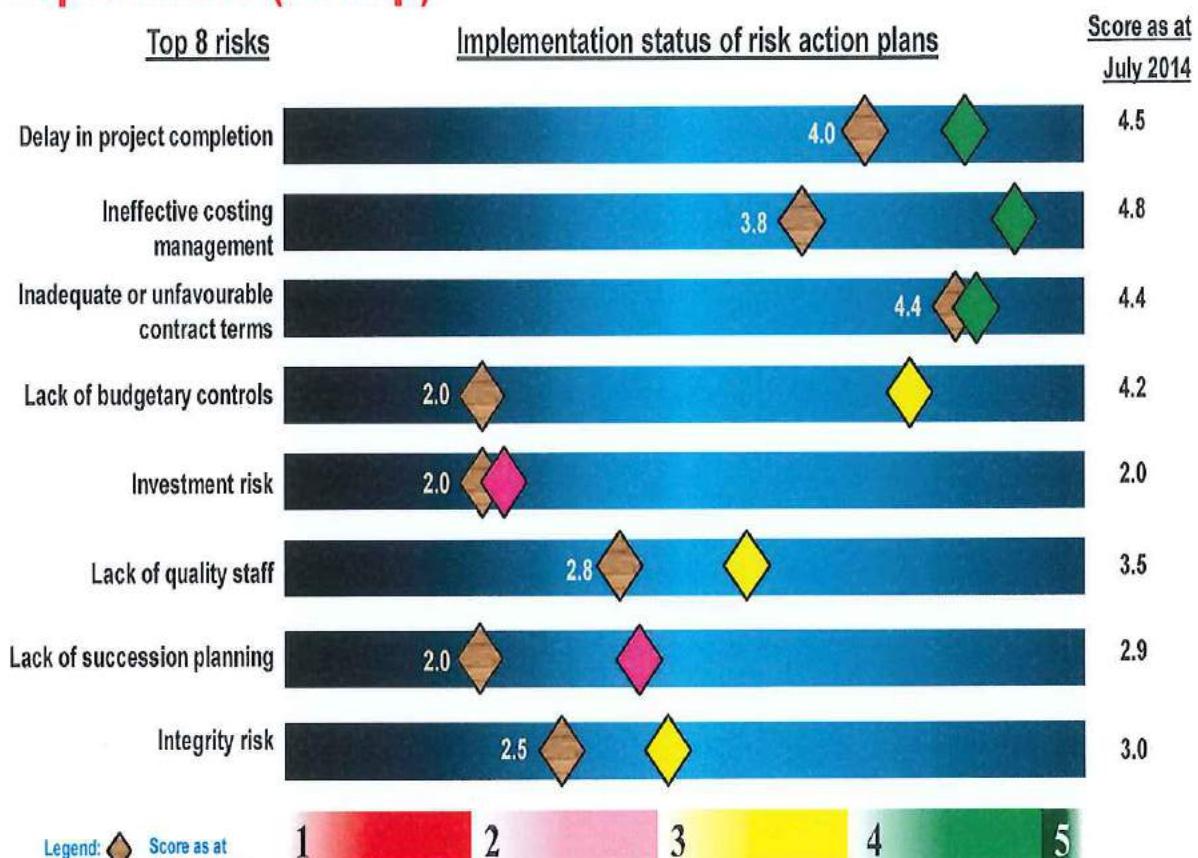
Date of Report: 18 July 2014

4

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
POLICY TITLE	EXECUTIVE SUMMARY	REV. DATE : 1 JUNE 2019	REV.NO. :
			PAGE : 2

Appendix H (continued)

Implementation Status of Risk Action Plans: Top 8 Risks (Group)



RAIScorecard					
1	Not initiated	2	Preliminary stage (< 25% work done)	3	Work in-progress ($\geq 25\%$ and $\leq 75\%$ work done)

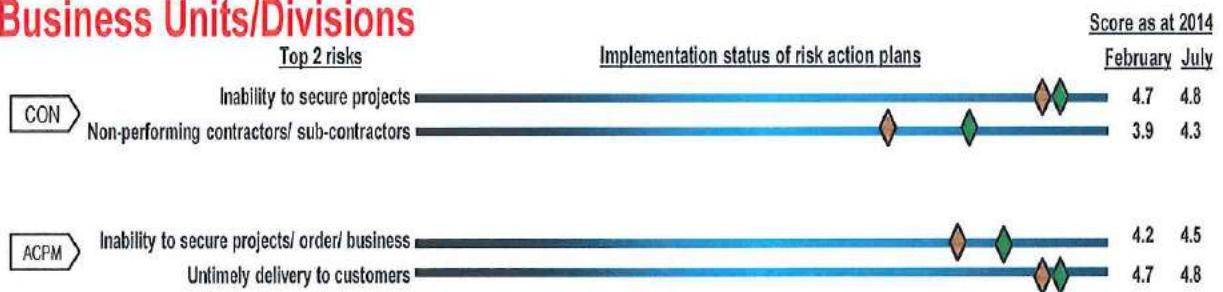
Date of Report: 18 July 2014

5

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	EXECUTIVE SUMMARY		PAGE : 3

Appendix H (continued)

Implementation Status of Risk Action Plans: Top 2 Risks of Each Business Units/Divisions



Legend: ♦ Score as at February 2014 1 2 3 4 5

RAIScorecard					
1	Not initiated	2	Preliminary stage (< 25% work done)	3	Work in-progress (≥ 25% and ≤ 75% work done)

Work in-progress
(≥ 25% and ≤ 75% work done)

Advanced stage

Implemented
(100% completed)

Date of Report: 18 July 2014

6

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
POLICY TITLE	EXECUTIVE SUMMARY	REV. DATE : 1 JUNE 2019	REV.NO. :
			PAGE : 4

Appendix H (continued)

Key RAPs that Needs to be Implemented/Completed: Top 8 Risks of MTD ACPI Group

<p><i>Delay in project completion</i></p> <ul style="list-style-type: none"> ▪ To carry out project risk assessment for every construction projects including PLUS 4LW. ▪ To finalise the revised Delegation Authority Guide (DAG) on signing of PO and Work Order. <p><i>Ineffective costing management</i></p> <ul style="list-style-type: none"> ▪ To complete the implementation of IFCA system in Manufacturing related business and enhance the system to facilitate variance analysis. <p><i>Inadequate or unfavourable contract terms</i></p> <ul style="list-style-type: none"> ▪ To finalise the standards terms and conditions of the master contract which will be used as a benchmark upon contract preparation. ▪ To brief the respective Head of Business Units/Divisions/Departments on the SOP of contract preparation. <p><i>Lack of budgetary controls</i></p> <ul style="list-style-type: none"> ▪ To review the status of IFCA implementation and utilisation rate of IFCA system in Manufacturing Division and prepare an implementation plan to complete the remaining module. ▪ To perform a study linkage of Primavera system and IFCA system once the testing of the IFCA system is completed. <p><i>Investment risk</i></p> <ul style="list-style-type: none"> ▪ To develop a detailed 'scoring/rating' scale and rating weightage for each of the evaluation. ▪ To establish an Investment Monitoring Team (nominated by Management Committee) to handle the monitoring of the performance of investment. ▪ To define an investment policy of AlloyMtd which include investment and long-term funding strategy. 	<p><i>Lack of quality staff</i></p> <ul style="list-style-type: none"> ▪ To carry out remuneration benchmarking exercise/salary survey against similar industry and organisations having similar operating structure. ▪ To carry out 'Teh Tarik' sessions based on the proposed staff activities for FY2014/2015. ▪ To identify the necessary development programme for staff to address their weaknesses or for better performance development after the competency framework has been established. ▪ To implement competency based interview to evaluate and select potential candidates. ▪ To finalise and approve the KPIs setting and communicate with individual staff for implementation. <p><i>Lack of succession planning</i></p> <ul style="list-style-type: none"> ▪ To review the competency profile of potential successors and evaluate their capability to replace the relevant critical positions. ▪ To establish a talent pool programme. ▪ To complete the coaching and mentoring programme for critical positions. ▪ To carry out quarterly KPIs review. <p><i>Integrity risk</i></p> <ul style="list-style-type: none"> ▪ To finalise all SOPs from the respective business units and seek the approval from Top Management for enforcement. ▪ To conduct refresher briefing on whistle-blowing which have been included in the Group's training calendar for FY2014/2015. ▪ To appoint an external consultant to carry out Quality Assurance Review (QAR) on internal audit activities.
--	---

Date of Report: 18 July 2014

7

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	EXECUTIVE SUMMARY		PAGE : 5

Appendix H (continued)

Key RAPs that Needs to be Implemented/Completed: Top 2 Risks of Each Business Units/Division

<p><i>Construction:</i></p> <p>Inability to secure projects</p> <ul style="list-style-type: none"> ▪ To obtain approval from Top Management on the revised organisation chart which includes the formation of Project Development Unit. <p>Non-performing contractors/sub-contractors</p> <ul style="list-style-type: none"> ▪ To obtain approval from the Management on the revised SOP of contactors/sub-contractors evaluation. ▪ To formalise and impose KPIs on sub-contractors. ▪ To propose an incentive scheme for contractor/sub-contractor who manages to complete the project within the given timeline and achieves the expected quality. <p><i>Manufacturing :</i></p> <p>Inability to secure projects/orders/business</p> <ul style="list-style-type: none"> ▪ To complete the review on the revised SOP on project costing and quotation. ▪ To review the strengths and weaknesses of the existing Sales and Marketing function. <p>Untimely Delivery risk</p> <ul style="list-style-type: none"> ▪ Contract Department has formalized the Letter of Acceptance (LA) for panel transporter 	
--	--

Date of Report: 18 July 2014

8

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
POLICY TITLE	EXECUTIVE SUMMARY	REV. DATE : 1 JUNE 2019	REV.NO. :
			PAGE : 6

Appendix H (continued)

Key RAPs Implemented Between January to June 2014: Top 8 Risks of MTD ACPI Group

<p><i>Delay in project completion</i></p> <ul style="list-style-type: none"> The identified project management trainings have been identified and incorporated into the approved annual training calendar for FY2014 – 2015. Technical & Quality Audit Department has conducted an ISO Awareness Training for staff involved in the project. <p><i>Ineffective costing management</i></p> <ul style="list-style-type: none"> Budgeted and actual project cost has been reviewed on a monthly basis for cost control and monitoring purposes. <p><i>Inadequate or unfavourable contract terms</i></p> <ul style="list-style-type: none"> Legal Department has reviewed the draft master contract prepared by Contract Department and highlighted certain standard terms and conditions to be included in the contracts. <p><i>Lack of budgetary controls</i></p> <ul style="list-style-type: none"> Project budget is reviewed on a monthly basis and major variances are analysed and revised if justifiable. Financial and operational performance have been reviewed during the monthly operation meeting. 	<p><i>Lack of quality staff</i></p> <ul style="list-style-type: none"> Recruitment Matrix by levels/positions has been approved by Top Management for implementation. Monetary and non-monetary benefits such as increment, allowances, staff personal development plan, promotion and other recognition initiatives have been implemented throughout the Group. Staff Performance Appraisal has been enhanced and approved by Top Management. <p><i>Lack of succession planning</i></p> <ul style="list-style-type: none"> The critical functions and positions of each business units and divisions have been analysed, defined and identified by HCD. The job profile required for key and critical position has been identified for succession planning purposes. The characteristic and competency of potential successors have been reviewed and approved by the Board. Skills possessed by candidate are monitored by using the Individual Development Plan developed for succession planning purposes. A pool of external candidates have been identified and were captured into HCD's database. <p><i>Integrity risk</i></p> <ul style="list-style-type: none"> Random audit exercise plan for the Year 2014 has been approved by Audit Committee and incorporated into the Annual Audit Plan by Internal Audit Department.
--	--

Date of Report: 18 July 2014

10

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX H	ISSUE: 2
POLICY TITLE	EXECUTIVE SUMMARY	REV. DATE : 1 JUNE 2019	REV.NO. :
			PAGE : 7

Appendix H (continued)

Key RAPs Implemented Between January to June 2014: Top 2 Risks of Each Business Units/Division

Construction:

Inability to secure projects

- Technical & Financial Evaluation Forms have been revised where evaluation on technical capability, financial capability and commercial terms have been included in the forms and incorporated into the revised SOP.

Non-performing contractors/sub-contractors

- The setting up of KPIs for sub-contractor has been discussed during project meeting with sub-contractors.

Manufacturing (ACPM):

Inability to secure projects/orders/business

- Management has participated in the Malaysia International Building, Construction & Infrastructure Technology Exhibition in July 2014.

Untimely delivery to customers

- Contract Department has formalised the Letter of Acceptance (LA) for panel transporters.

Date of Report: 18 July 2014

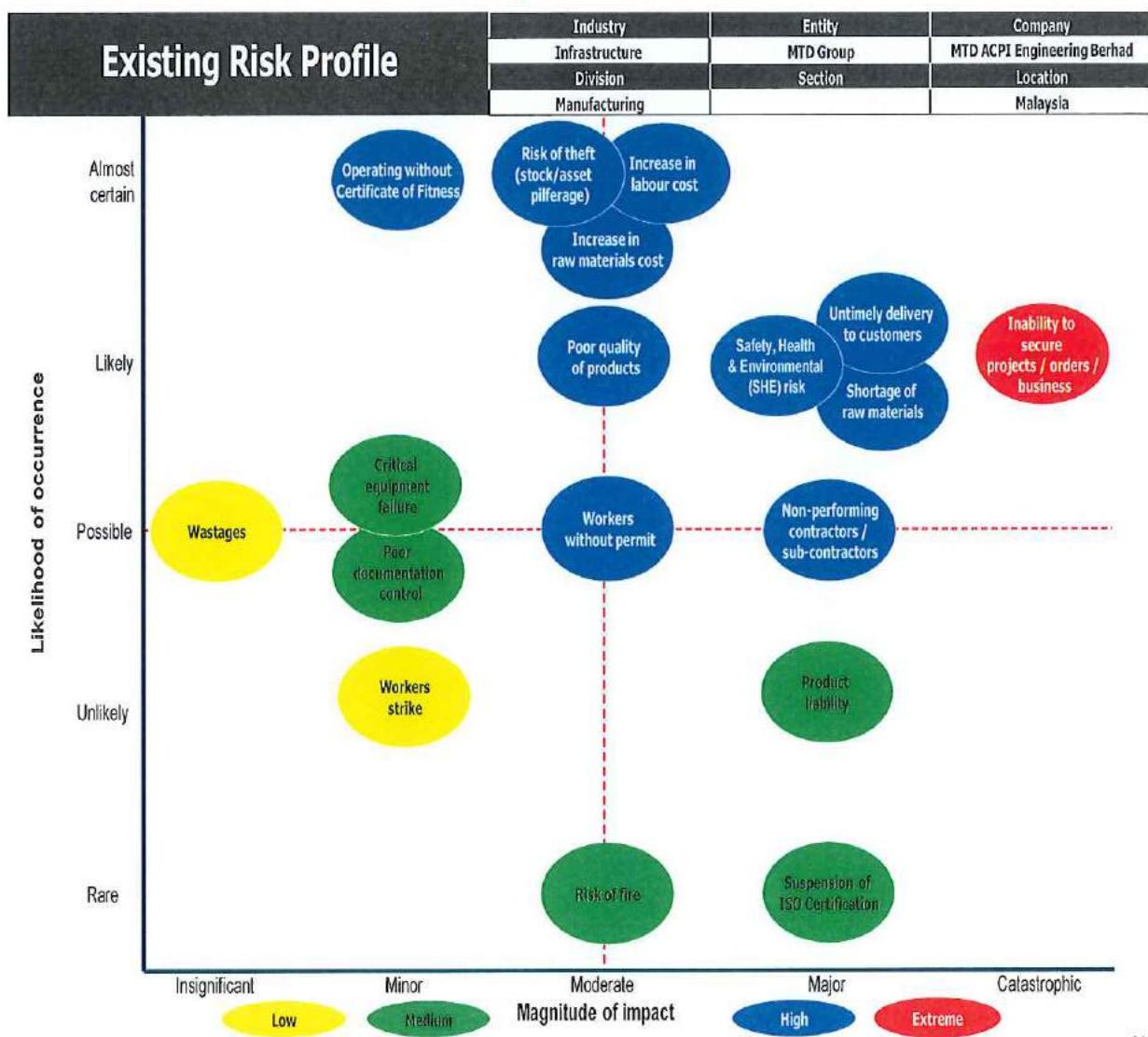
11

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX I REV. DATE : 1 JUNE 2019	ISSUE: 2 REV.NO. :
POLICY TITLE	RISK PROFILE	PAGE : 1	

Appendix I

Risk Profile (example)

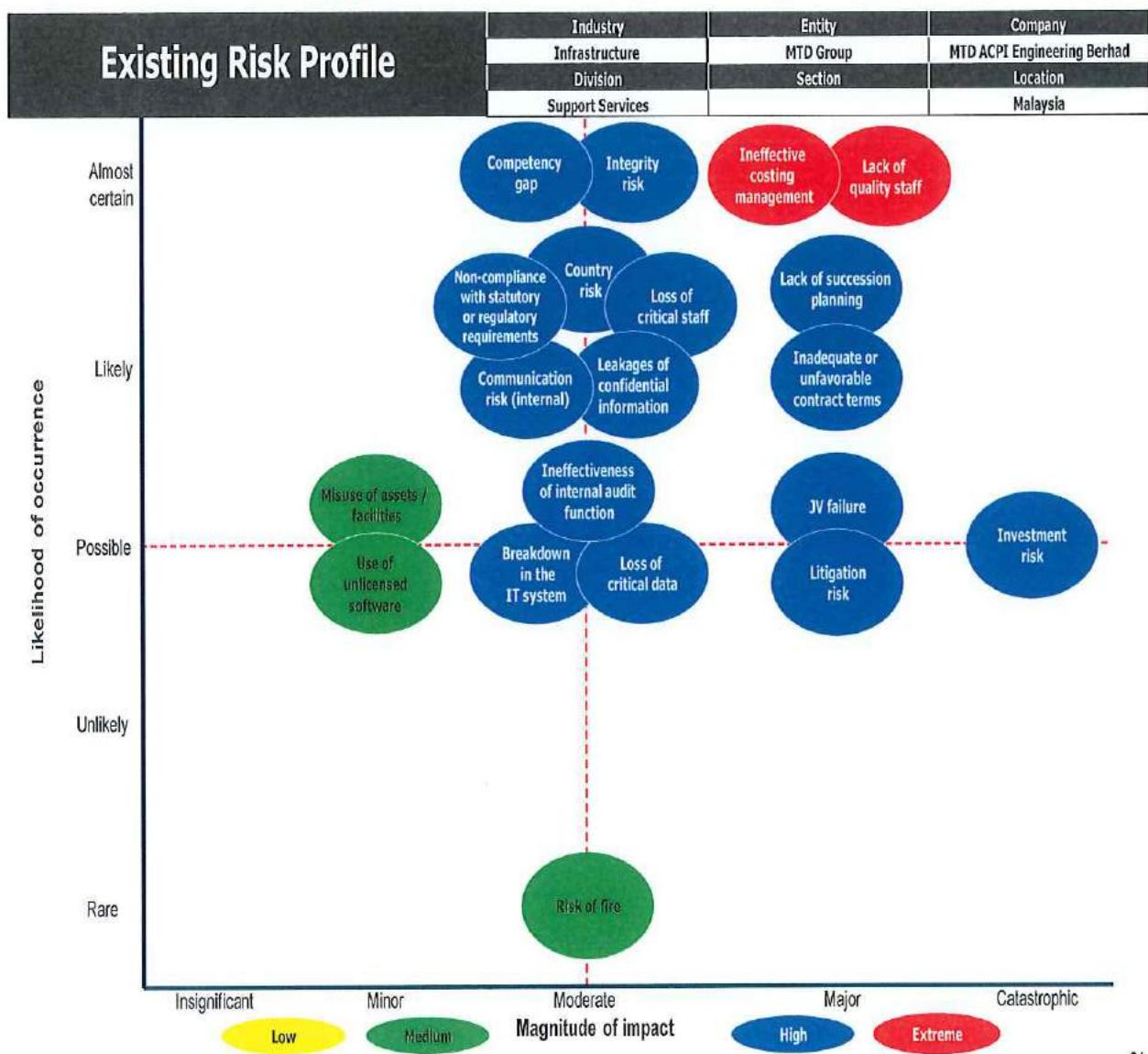
Risk Profile: ACPM Group



	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX I REV. DATE : 1 JUNE 2019	ISSUE: 2 REV.NO. :
POLICY TITLE	RISK PROFILE	PAGE : 2	

Appendix I (continued)

Risk Profile: Support Services (Others)



24

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX J REV. DATE : 1 JUNE 2019	ISSUE: 2 REV.NO. :
POLICY TITLE	RISK ACTION PLANS STATUS WORKSHEET	PAGE : 1	

Appendix J

Risk Action Plans Status Worksheet (example)

Risk Action Plans Status: Lack of Quality Staff

Risk	Lack of Quality Staff								
Business Process	Human Resource								
Risk Owner	Moktar Mohd Salleh - SVP, Head, Human Capital Division	Risk Co-owners	1. Keith George Cowling - EVP, Head, Business Development & Manufacturing Division 2. Ir. Md Shukor Mohamed - EVP, Head, Construction & Maintenance Division 3. Md. Rijaluddin Mohd Salleh – EVP, Head, Quality, Technical Audit & Overseas Concessions Division 6. Nik Firdaus Nik Hussain – SVP, Head, General Services Division 7. Harry Low - SVP, Special Projects 8. Memun Muhamad - VP, Acting Head, Contracts & Procurement Division						
Risk Treatment	Modifying	Control Effectiveness	Weak	Rating	Extreme				
Key Strategy	1. Enhancement of staff recruitment process								
Action Plans	Priority	ESD	EED	PIC	Score 1 2	Progress Report as at July 2014			
1. To formalise and document the recruitment strategy for different business industry of the Group including construction & maintenance, manufacturing, advertising, insurance, toll management and support services by different job grades (i.e. recruitment of Senior staff should be carried out through professional recruiter; recruitment of toll operator should be carried out locally to target the local people).	1	01.08.13	30.09.13 R1: 31.03.14	MMS	4 5	The Recruitment Matrix by levels / positions has been approved by Top Management for implementation. The matrix will be reviewed from time to time in order to suit the changes in the Group.			
Expected Implementation Cost: 1: Time cost									
Revised Implementation Cost: -									

Date of Report: 18 July 2014

33


RIJALUDDIN SALLEH
 Senior General Manager, Head
 Group Compliance & General Services Division

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX J	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	RISK ACTION PLANS STATUS WORKSHEET		PAGE : 2

Appendix J (continued)

Risk Action Plans Status: Lack of Quality Staff

Risk	Lack of Quality Staff						
Key Strategy	1. Enhancement of staff recruitment process (cont'd)						
Action Plans	Priority	ESD	EED	PIC	Score		Progress Report as at July 2014
					1	2	
2. To implement competency-based interview to evaluate and select potential candidate. The competency based interview should cover at least two (2) aspects which include technical competency and behaviour competency by asking highly specific questions that can help the Management to assess the skill sets, experience, capability and attributes of potential candidates in more effective manner.	1	01.08.13 R1: 30.09.14	30.09.13 R1: 31.03.14	MMS R1: 31.12.14	2	2	HCD is in the midst of selecting external consultant to assist in the establishment of competency management framework including the guideline on competency based interview. The shortlisted consultant will be presented to the Top Management for approval.
3. To conduct refresher training on interview process, posting the right interview questions, use of evaluation matrix during interview for HODs who will be involved in the interview process.	1	01.08.13 R1: 31.03.14	30.09.13 R1: 31.12.14	MMS R1: 31.12.14	2	2	Coaching is provided to Managers in HCD to ensure that right questions are probed to candidates and criteria to be evaluated during interview. However, the refresher training for HODs from the respective business units have yet to be conducted.
Expected Implementation Cost: 2-3: Time cost							
Revised Implementation Cost: 2-3: Time cost							

Date of Report: 18 July 2014

34

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX J	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	RISK ACTION PLANS STATUS WORKSHEET		PAGE : 3

Appendix J (continued)

Risk Action Plans Status: Lack of Quality Staff

Risk	Lack of Quality Staff							
Key Strategy	2. Staff retention and motivation programme							
Action Plans	Priority	ESD	EED	PIC	Score		Progress Report as at July 2014	
					1	2		
1. To carry out remuneration benchmarking exercise/salary survey against similar industry and organisations having similar operating structure to ascertain the competitiveness of remuneration package offered by MTD ACPI across the Group.		1	01.08.13 R1: 30.06.14	31.12.13 R2: 31.12.14	MMS	1	1	Remuneration benchmarking will be conducted after the Group structure is finalised and approved by the Top Management.
2. To conduct annual staff engagement survey and implement 'Teh Tarik' session on a periodic basis with selected staff in order to gauge the overall staff sentiment and obtain their opinion/feedback pertaining to the working environment at the Group. The session should encompass the following aspects: ▪ Remuneration & recognition; ▪ Working conditions; ▪ Management style; ▪ Workload; ▪ Training & development; ▪ Opportunity in career progression and work exposure; and ▪ Improvement & opportunities.		1	01.08.13 R1: 31.03.14	31.12.13 R2: 31.12.14	MMS	3	3	Employee Engagement Survey has been established to gauge staff sentiment and feedback. Two (2) 'Teh Tarik' sessions will be carried in September 2014 and March 2015 respectively.
Expected Implementation Cost: 1-2: Time cost								
Revised Implementation Cost: 1-2: Time cost								

Date of Report: 18 July 2014

35

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX J	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	RISK ACTION PLANS STATUS WORKSHEET		PAGE : 4

Appendix J (continued)

Risk Action Plans Status: Lack of Quality Staff

Risk	Lack of Quality Staff						
Key Strategy	2. Staff retention and motivation programme (cont'd)						
Action Plans	Priority	ESD	EED	PIC	Score		Progress Report as at July 2014
					1	2	
3. To enhance staff recognition and staff morale by implementation of the following programme:	1	01.08.13	31.12.13 <small>R1: 31.03.14</small>	MMS	4	5	Monetary and non-monetary benefits such as staff personal development plan, promotion and other recognition initiatives have been implemented throughout the Group.
▪ Staff motivation programmes (i.e. team building activities, motivation talk); ▪ Staff recognition programmes (i.e. long service award, best performance award, promotion); ▪ Staff performance-based reward programmes (i.e. incentive provided to staff based on significant contribution / improvement to the Group); and ▪ Staff loyalty programme (i.e. flexi-benefits).							
Expected Implementation Cost: 3: Time cost							
Revised Implementation Cost: -							

Date of Report: 18 July 2014

36

	MTD ACPI ENGINEERING BERHAD	DOC NO. : APPENDIX K	ISSUE: 2
		REV. DATE : 1 JUNE 2019	REV.NO. :
POLICY TITLE	FLASH REPORT		PAGE : 1

Appendix K

Flash Report

Company : _____

Name : _____

Function : _____

Phone : _____

Fax : _____

E-mail : _____

Risk Description:

Sources of information: _____

Likelihood: _____

(For residual risk only: likelihood that the risk occurs despite effective controls)

Potential impact: _____

(Expected impact on profit before tax if the risk occurs despite effective controls)



Affects other companies of the Group

Action plans taken:

Signature: _____ Date: _____

*Additional attachment can be provided for further explanation

[Signature]
RIJALUDDIN SALLEH
 Senior General Manager, Head
 Group Compliance & General Services Division