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# ENTERPRISE RISK MANAGEMENT POLICY

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Kumpulan  
Hartanah Selangor  
Berhad  
(200101023989/559747-W)

*Company Secretarial and Governance Department*

Approved by the Board of Directors on 18 October 2022

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## DEFINITION AND DESCRIPTION

	DEFINITION	DESCRIPTION
1.	<b>Menteri Besar Selangor (Pemerbadanan)</b>	Menteri Besar Selangor (Pemerbadanan) or MBI is a corporate body established under the Menteri Besar of Selangor Enactment No. 3 1994.
2.	<b>The Company</b>	All references made to “the Company” in this document refer to Kumpulan Hartanah Selangor Berhad or KHSB.
3.	<b>Group of Companies under KHSB</b>	All references made to “KHSB Group” or “Group of Companies” in this document refer to KHSB and any KHSB subsidiaries that do not have a Risk Management function. This document will use the terms “the Company” and/or “Group of Companies” interchangeably.
4.	<b>Board of Directors</b>	Board of Directors or the Board for KHSB.
5.	<b>Governance &amp; Risk Management Working Committee</b>	Governance & Risk Management Working Committee or GRWC was established to be a platform on behalf of KHSB Senior Management, led by the KHSB Chief Executive Officer to review, evaluate, discuss and recommend matters relating to KHSB’s Risk Management system, management processes of risks and other matters relevant prior to the Board’s approval.
6.	<b>Risk</b>	Risk is an “uncertain event”, if it occurs, will have an effect (“effect) on the achievement of objectives. Risk is measured by a combination of the probably of a threat and the magnitude of its impact on efforts to achieve objectives.
7.	<b>Risk Management</b>	Risk Management is a systematic process that extends management policies, procedures and practices to the activities of communication, consulting, creating context and identifying, analysing, evaluating, treating, monitoring, researching and reporting risks. Risk Management refers to risk management process.
8.	<b>Risk Management Framework</b>	Risk Management Framework or RMF encompasses the components that establish the foundation and organisational structure for planning, implementing, monitoring and reviewing. Continuous improvement and integration of the Risk Management process to all members of the organisation. The RMF is based on the global practices of ISO31000:2018 – Internal Risk Management Standard of Practice.

	<b>DEFINITION</b>	<b>DESCRIPTION</b>
9.	<b>Policy</b>	<ul style="list-style-type: none"> <li>➤ A principle of action adopted and has been agreed officially by the management of KHSB detailing the general requirements of the stated Risk Management Framework.</li> <li>➤ It will be translated into systems, resources or process to operate the business via supporting documents including guidelines and standard operating procedures (“SOP”).</li> </ul>
10.	<b>Enterprise Risk Management Policy</b>	The purpose of the Enterprise Risk Management Policy or ERMP is to provide guidance regarding the management of risk to support the achievement of corporate objectives, protect staff and business assets and ensure financial sustainability.
11.	<b>Risk Governance</b>	Refers to the mandate and commitment of the Board in relation to Risk Management and the reporting flow of Risk Management and risk-related matters within KHSB and companies within the KHSB Group of Companies. It is also a key approach to create a dynamic and systematic Risk Management Framework.
12.	<b>Risk Control Self-Assessment</b>	Risk Control Self-Assessment or RCSA is a process used by the management and staff collectively to identify, analyse, and assess risks and related controls.
13.	<b>Risk Treatment</b>	Refers to a process of identifying the best options in treating the identified risks through an evaluation of the options that exist.
14.	<b>Risk Appetite</b>	Refers to the level of tolerance for risks identified in relation to KHSB’s core business activities.
15.	<b>ISO31000:2018 – International Risk Management Standard</b>	The ISO 31000 standard provides a structured approach to the implementation of business risk management.
16.	<b>Probability</b>	The probability of the risk occurring.
17.	<b>Impact/Effect</b>	Magnitude of impact if risk occurs.

## **1.0 PURPOSE**

This document describes KHSB approach to Risk Management. An ERMP describes the policies, philosophies, and principles under which KHSB and the relevant subsidiaries to foster a proactive Risk Management culture in all their business activities to achieve the corporate mandate and objectives.

## **2.0 BACKGROUND**

- 2.1 KHSB aspires to be well-managed and successful organisation where a key aspect in achieving this goal is to include the process of integrating Risk Management into the systems and processes at KHSB and its subsidiaries. The existence of an effective Risk Management Framework, embedded in the organisational culture, will contribute towards the achievement of KHSB's corporate objectives and improve the effectiveness of the organisation.
- 2.2 Development of ERMP is a fundamental element in KHSB's Risk Management Framework to establish a strong corporate governance in relation to Risk Management in KHSB to be more structured and systematic.
- 2.3 With the establishment of Risk Management Framework, encompassing a more structured an Enterprise Risk Management approach, it is hoped that KHSB will adopt and practice efficient and effective governance to ensure that each of its business activities achieve the set targets.

## **3.0 SCOPE**

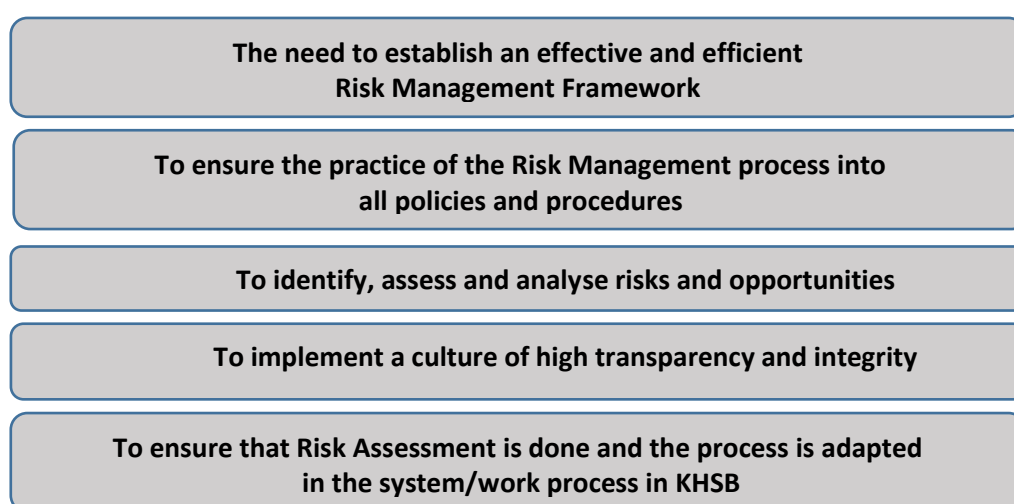
- 3.1 The purpose, principles, and requirements of this statement of ERMP is in line with the objectives set out in KHSB's Corporate Strategy.
- 3.2 The principles and requirements set out in this policy statement together with the relevant documents of the Risk Management Framework are subject to all processes within the organisation, which also include the following scopes :
  - (i) Strategic planning and objective setting.
  - (ii) Policy making, audit and review.
  - (iii) Financial planning and control.
  - (iv) Purchase and disposal of land and asset.
  - (v) Land and operation development project.
  - (vi) Project bidding and tender.
  - (vii) Procurement process.
  - (viii) Joint venture.
  - (ix) Project management.
  - (x) Performance management.
  - (xi) Restructuring management.
  - (xii) System changes and internal operation.
  - (xiii) Reporting and decision making.

- 3.3 KHSB Management will use due diligence in determining the scope of Risk Management applications on KHSB's business from time to time.

#### 4.0 POLICY STATEMENT

4.1 KHSB's ERMP is to apply best practices in cost-effective risk identification, assessment, and control to ensure that risks are managed, eliminated, or reduced to an acceptable level. Risk Management policies and strategies support innovation through the delivery of initiatives in a managed and controlled manner.

4.2 KHSB outlines five (5) Policy Statement as follows :



(For further details of the Policy Statement and Description, refer to **Attachment 1**)

#### 5.0 POLICY OBJECTIVES

This policy together with the Risk Management Framework ("RMF") document aims to assist in the achievement of the following objectives :

- 5.1 To achieve corporate strategy and objectives.
- 5.2 To ensure the successful delivery of major and innovative projects.
- 5.3 To develop and foster effective methods of collaboration among employees within KHSB and its subsidiaries.
- 5.4 To anticipate and respond to changes in social, environmental, and legal conditions.
- 5.5 To reduce the risk of damage, loss and injury to staff, citizens, and service user.
- 5.6 To maintain a sound risk management framework for identifying and managing risks.
- 5.7 To establish clear accountability, roles and reporting lines.
- 5.8 To promote an open and proactive Risk Management culture.

## 6.0 GUIDING PRINCIPLES

The basic guiding principles for an Enterprise Risk Management Policy are as set as follows :

- 6.1 Creating value to KHSB.
- 6.2 Be an important part of the organisation process.
- 6.3 Be part of the decision-making process at KHSB.
- 6.4 Overcome uncertainty clearly.
- 6.5 Be systematic, structure and timely.
- 6.6 Based on the best information available.
- 6.7 Appropriate to the Company and Project.
- 6.8 Consider cultural and human factors.
- 6.9 Be transparent and inclusive.
- 6.10 Dynamic and adaptable to change.
- 6.11 Continue to monitor and improve in line with the progress of the projects as well as improvements to the organisation.

## 7.0 RISK MANAGEMENT GOVERNANCE

- 7.1 Risk Management Governance is structured to establish monitoring and direction to the Risk Management Process. Governance Risk Management and Working Committee ("GRWC") has been established to be a platform on behalf of KHSB Senior Management, led by the Chief Executive Officer with the purpose to review, evaluate, discuss and recommend matters relating to KHSB's risk management system, enterprise risk management process and other relevant matters before being presented to the Board.
- 7.2 The roles and responsibilities of GRWC are as outlined KHSB Risk Management Framework.
- 7.3 The Head of Departments/Units in KHSB act as risk owner is expected to adopt the Enterprise Risk Management Policy and Risk Management Framework to identify and manage risks.
- 7.4 KHSB expects and encourage all its staff to take responsibility for every risk associated with their respective business sectors, led by respective Head of respective Departments/Units, who are collectively responsible for ethical business practices and governance.
- 7.5 The Board will receive reasonable assurance. On a regular basis, that the Risk Management process is complied with by monitoring all recommendations made by the GRWC.

(Refer to **Attachment 2** for Details of Roles and Responsibilities).

## 8.0 RISK MANAGEMENT FRAMEWORK

8.1 KHSB Risk Management Framework (“RMF-KHSB”) is a document that includes the components that establish the foundation and organisational structure for planning, implementing, monitoring, reviewing, continuously improving, and integrating the Risk Management Process. RMF-KHSB is based on the global practice of ISO31000:2018 – International Risk Management Standard of Practice.

(Refer to **Attachment 3** for RMF-KHSB).

## 9.0 RISK MANAGEMENT PROCESS

9.1 Each Department/Unit within KHSB is required to comply with the Enterprise Risk Management Policy and Risk Management Framework.

9.2 Risk Management will be implemented throughout the Company through a Risk Management Process. (Refer to **Attachment 4** for summary of the Risk Management process).

9.3 Standard Operating Procedures (“SOPs”) related to Risk Management need to be established to carry out processes related to Risk Management. These SOPs are under the supervision and oversight of KHSB Management led by the Chief Executive Officer of KHSB.

## 10.0 RISK APPETITE

10.1 Risk ratings are generally measured based on :

$$\text{Risk Rating} = \text{Probability of Occurrence} \times \text{Impact/Effect}$$

10.2 Risk appetite is the level of risk that the Company or the Group of Companies is willing to accept to achieve its strategic objectives in general.

10.3 Risk appetite is expressed quantitatively and qualitatively taking into account extreme circumstances, events and effects.

10.4 KHSB Risk appetite is as summarised below :

Criteria	Risk Appetite	Description
Quantitative	Monetary value that can be calculated as a percentage of annual revenue.	i. Presentation to GRWC for recommendation to the Board.



Criteria	Risk Appetite	Description
Qualitative	Scores are based on the Risk Matrix Map (“Risk Matrix” or “Risk Heat Map”).	<ul style="list-style-type: none"> <li>ii. The Board will determine the allocation Risk Appetite for KHSB.</li> <li>iii. The Board endorsement for approvals and any changes.</li> </ul>

Refer **Attachment 5** for Risk Rating reference.

## 11.0 DOCUMENTATION AND DESCRIPTION

- 11.1 Decisions and actions in relation to the Risk Management processes shall be recorded and documented in the Risk Registers to assist in the periodic assessment and review of risks identified to have an influence on the Group of Companies.
- 11.2 Each Head of Department/Unit in KHSB and its subsidiaries will complete a Declaration Form (Annexure A) at the end of each Financial Year to ensure that the Department/Unit under his/her supervision has identified possible risks that are likely to have a significant impact on the Department’s/Unit’s objectives and/or strategy.

## 12.0 CONFIDENTIALTY, REVIEW, REVISION AND APPROVAL

- 12.1 The information contained in this document is classified as Confidential. Neither the whole document may be distributed, disclosed nor used outside KHSB without prior written approval from the Chief Executive Officer.
- 12.2 This policy will be reviewed every three (3) years for suitability, update, and continuous improvement.
- 12.3 Any changes to the principal policy must be approved by the Board.

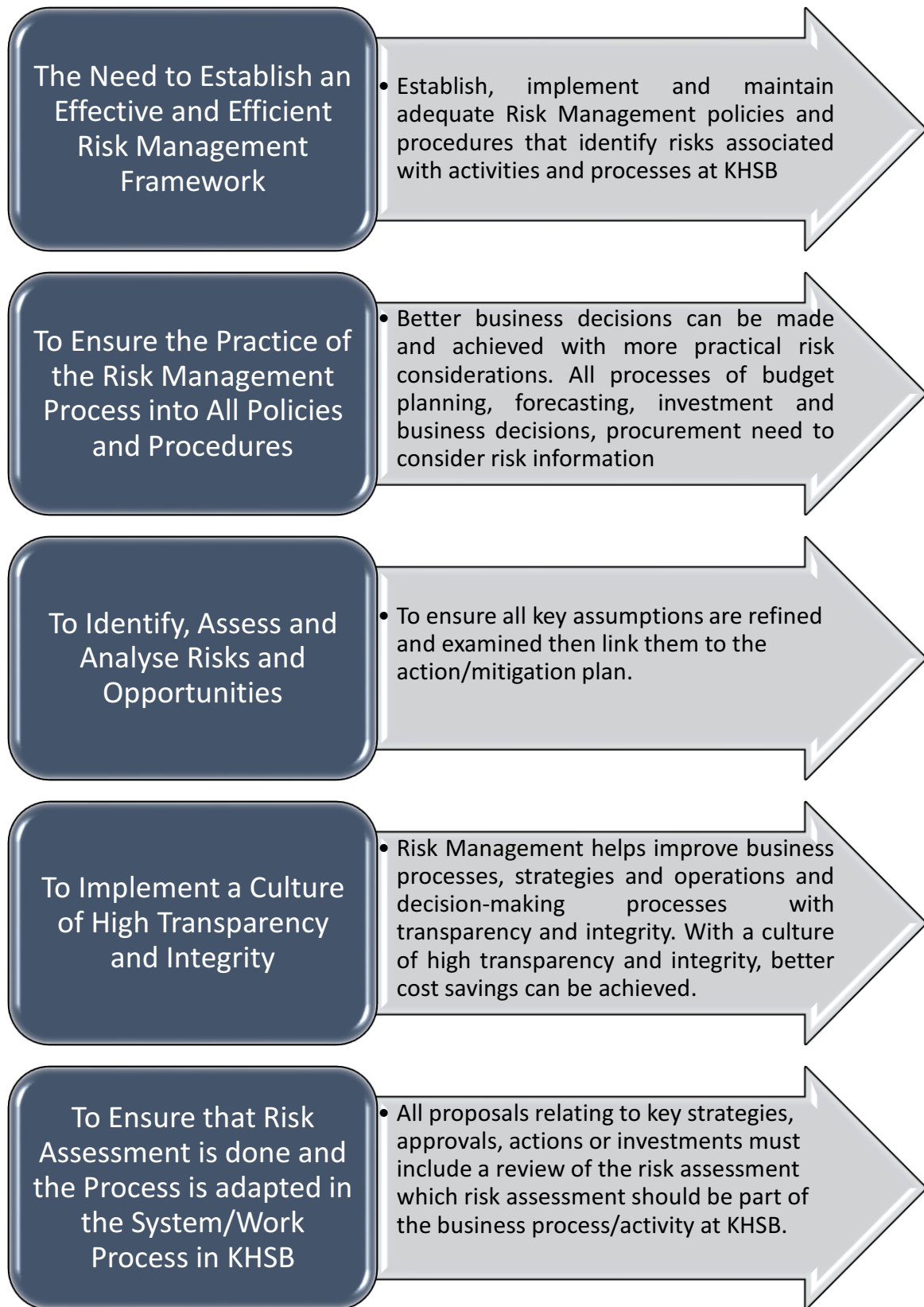
**DECLARATION OF COMPLIANCE WITH THE RISK MANAGEMENT FRAMEWORK AND ENTERPRISE RISK MANAGEMENT POLICY**

I \_\_\_\_\_ NRIC No. : \_\_\_\_\_,  
hereby confirm that I have read the Risk Management Framework and the Risk Management Policy, and understand the contents of those documents. I confirm that I have complied with the Risk Management Process as contained in the Risk Management Framework (“RMF”) and Enterprise Risk Management Policy (“ERMP”) which describes a structured and disciplined approach in coordinating strategies, processes, people, technology, and knowledge with a view to assessing and managing the risks faced by KHSB in achieving corporate objectives and value creation.

\_\_\_\_\_  
Signature

Date :

## ATTACHMENT 1 : RISK MANAGEMENT POLICY STATEMENT



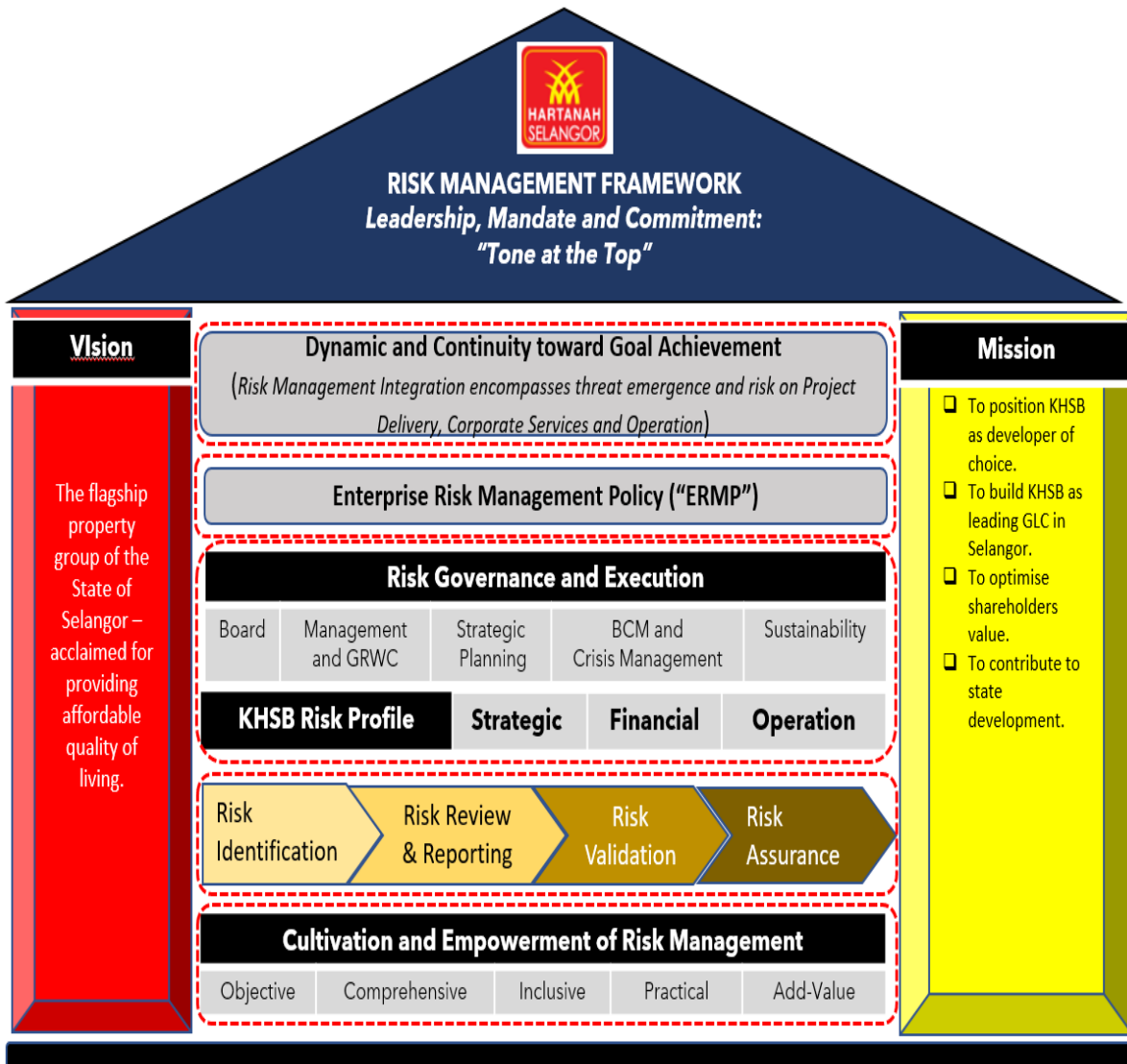
## ATTACHMENT 2 : ROLES AND RESPONSIBILITIES

The roles and principal responsibilities which are clearly designed and consistent in the definition across the whole organisation to ensure accountability and authority to manage, report, monitor and communicate risk effectively are as follows :

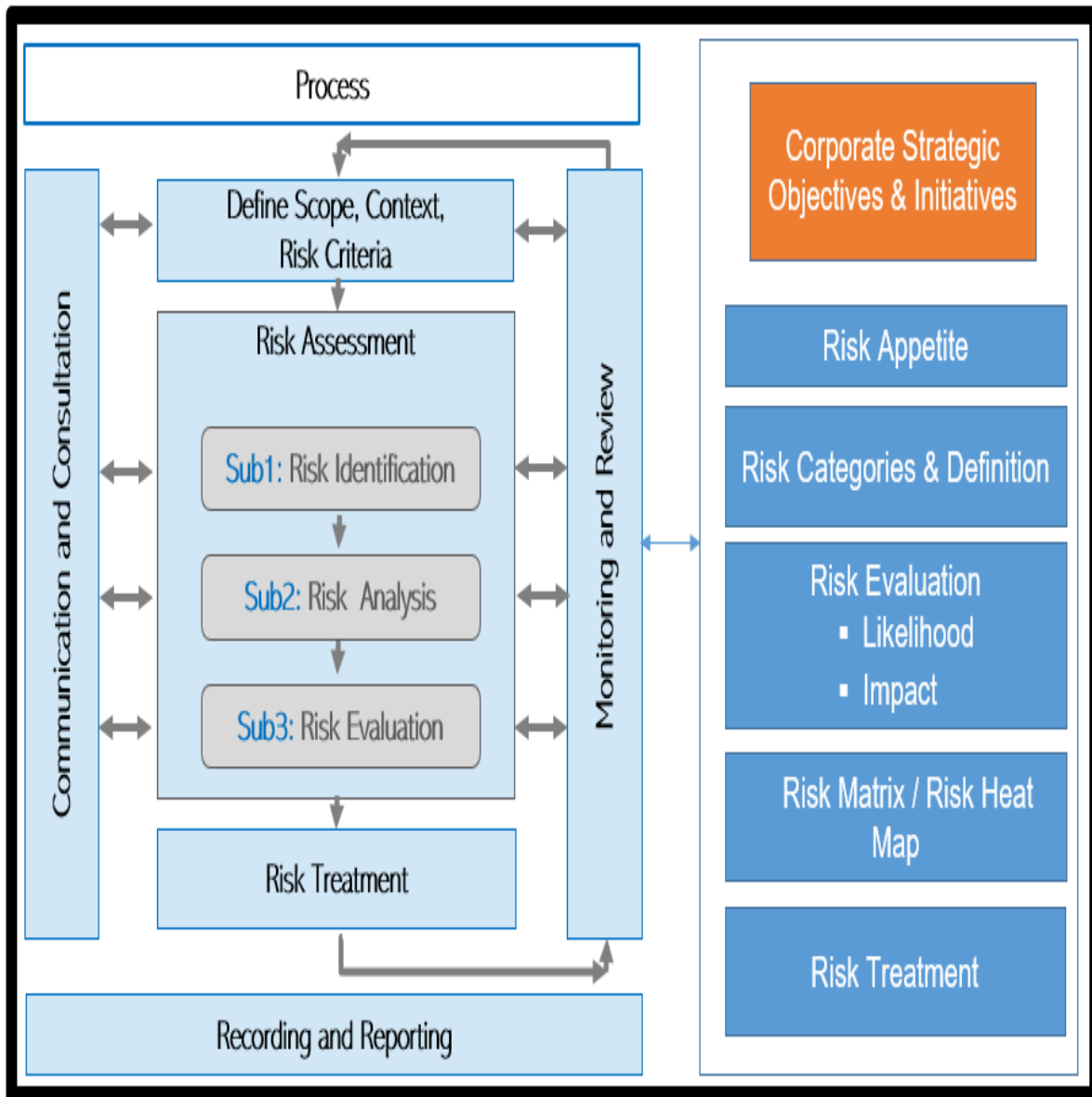
Role	Principal responsibilities for ERM
<b>Board of Directors ("Board")</b>	<ul style="list-style-type: none"> <li>▪ Ultimate responsibility for risk oversight and ERM.</li> <li>▪ Adopt the ERM policy.</li> <li>▪ Provide direction on risk appetite, organisational control environment and risk culture at KHSB.</li> <li>▪ Final decision on risk parameters, risk profiles, risk treatment options, and risk action plans for key risks.</li> <li>▪ Monitor the overall ERM framework's performance and implementation effectiveness at KHSB.</li> </ul>
<b>Governance and Risk Management Working Committee ("GRWC")</b>	<ul style="list-style-type: none"> <li>▪ Establishing and maintaining effective policies and guidelines to ensure proper management of risks to which Group is exposed and to take appropriate and timely action to manage such risks.</li> <li>▪ Review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators.</li> <li>▪ Communicate requirements of the ERMP to staff and ensure continuous enhancement of ERM.</li> <li>▪ Formulate and implement ERM mechanism to accomplish requirements of the ERMP.</li> <li>▪ Discuss, rank and debate risk ratings, control effectiveness, risk treatment options and risk action plans identified by Risk Owners.</li> <li>▪ Ensure that the ERM reports prepared are submitted to the Board in a timely manner, and special risk report/flash reports are submitted in the event of any risk(s) that required urgent attention.</li> </ul>
<b>Risk Owners</b>	<ul style="list-style-type: none"> <li>▪ Identification and assessment of risks, implementation and monitoring of risk action plans and key risk indicators.</li> <li>▪ Prepare and report to KHSB Management on a timely manner and timely preparation of flash reports in the event of any risk(s) that requires urgent attention.</li> <li>▪ Maintain highest alert on both internal and external activities or circumstances that may have adverse risk impacts and consequences to KHSB.</li> </ul>
<b>Risk Co-owners</b>	<ul style="list-style-type: none"> <li>▪ Provide support to Risk Owners on key risks identified and to assist in the implementation of risk action plans and key risk indicators thereof.</li> <li>▪ Engage and discuss with Risk Owners on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.</li> </ul>

Role	Principal responsibilities for ERM
<p><b>Staff of KHSB and its subsidiaries</b></p>	<ul style="list-style-type: none"> <li>▪ Help Risk Owners and/or Risk Co-owners on key risks identified and to support the implementation of risk action plans and key risk indicators.</li> <li>▪ Engage and discuss with Risk Owners and/or Risk Co-owners on internal and external activities or circumstances that may give rise to new risks or changes on rating or control effectiveness of existing risks.</li> <li>▪ All staff must also be conscious of the risks related to their actions/decision and inform the management of any foreseeable risks accordingly. Through appropriate preventive actions, all reasonable care should be taken to prevent loss, to maximise opportunity and to ensure KHSB's operations, reputation and assets are not jeopardised.</li> </ul>

**ATTACHMENT 3 : RISK MANAGEMENT FRAMEWORK- KHSB**



**ATTACHMENT 4 : SUMMARY OF RISK MANAGEMENT PROCESS**



## ATTACHMENT 5 : RISK RATING ANALYSIS REFERENCES

### A. PROBABILITY RATING

PROBABILITY LEVEL	DESCRIPTION
5	<b>Almost certain</b> : The risk is expected to occur in most circumstances or certainly occur within the 12 months period.
4	<b>Likely</b> : The risk is expected to occur at least once in 12 months.
3	<b>Probable</b> : The risk expected to occur in the next 12 months to 36 months.
2	<b>Unlikely</b> : Probably happening at least once in the next three (3) to five (5) years.
1	<b>Rare</b> : Not likely to happen in the next five (5) to ten (10) years.

### B. IMPACT RATING

MEASURING FACTORS	IMPACT LEVEL				
	Catastrophic	Major	Moderate	Minor	Very low
<b>QUANTITATIVE</b>					
Revenue	Decrease by >20%	Decrease by 15% - 20%	Decrease by 10% - 15%	Decrease by 5% - 10%	Decrease by < than 5%
Total Cost	Increase by >than 20%	Increase by 15% - 20%	Increase by 10% - 15%	Increase by 5% - 10%	Increase by < than 5%
Profit Before Tax/EBITDA	Decrease by >20%	Decrease by 15% - 20%	Decrease by 10% - 15%	Decrease by 5% - 10%	Decrease by < than 5%
Operational Efficiency/ Business Objectives	<60% from KPI achievement	60% - 70% from KPI achievement	>70% - 80% from KPI achievement	>80% - 90% from KPI achievement	> 90% from KPI achievement
<b>QUALITATIVE</b>					
Reputation/Media	Negative publicity at international level	Negative publicity at regional level	Negative publicity at national level	Negative publicity at state level	No local publicity and local media coverage
Legal/Regulatory /Compliance	<ul style="list-style-type: none"> <li>▪ Huge penalty</li> <li>▪ Closure of operations</li> <li>▪ Jail sentence for Directors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Multiple issuances of reprimands /warning letters</li> <li>▪ Heavy fines</li> <li>▪ Suspension of share</li> </ul>	<ul style="list-style-type: none"> <li>▪ Issuance of public reprimand /warning letter</li> <li>▪ Moderate fine</li> </ul>	<ul style="list-style-type: none"> <li>▪ Issuance of reprimand /warning letter</li> <li>▪ Minimum fine</li> </ul>	<ul style="list-style-type: none"> <li>▪ No scrutiny or letter of reprimand/ notice of default from the appropriate authority.</li> <li>▪ No fines/ penalties/ damages to operation.</li> </ul>



QUALITATIVE					
<b>Stakeholders Expectation</b>	Overall failure to meet the need of stakeholder's expectation	Substantial stakeholders' expectation effect	Moderate effect	Small effect	Insignificant impact to the ability of meeting the requirements of stakeholders

### C. RISK TREATMENT GUIDANCE

TYPE	DESCRIPTION
Avoidance	Risks may be eliminated by not engaging in activities/function associated with the risks.
Retaining	Risks may be accepted with full intent and purpose and conscious decision is made to not take any action.
Modifying	Risks are accepted but some actions need to be taken to lessen its likelihood or impact by enhancing the current control mechanisms.
Sharing	Insurance contract and other agreement such as joint ventures which permit shifting of risks to a third party (e.g. insurance against certain risk of loss).

### D. RISK HEAT MAP

		Risk Impact				
		Very Low	Minor	Moderate	Major	Catastrophic
Risk Likelihood	Almost Certain	Medium (13)	High (20)	High (22)	Extreme (24)	Extreme (25)
	Likely	Medium (11)	Medium (12)	High (18)	High (19)	Extreme (23)
	Probable	Low (5)	Medium (10)	Medium (9)	High (16)	High (17)
	Unlikely	Very Low (3)	Low (4)	Medium (8)	Medium (9)	High (15)
	Rare	Very Low (1)	Very Low (2)	Low (6)	Low (7)	Medium (14)

## E. RISK MATRIX HEAT MAP READING

Level	Score Parameter	Description
Very low	1 to 3	<b><u>Maintain</u></b> Maintain the existing control to mitigate risk.
Low	5 to 7	<b><u>For Notation</u></b> Accepted and manage by routine procedures.
Medium	8 to 14	<b><u>Caution</u></b> Risk will be monitored and periodically reviewed to ensure they remain acceptable.
High	15 to 22	<b><u>Attention required</u></b> Continuous action by Management (Senior Management/Management) with detailed risk response plan. Board attention and Senior Management responsibilities specified as and when required.
Extreme	23 -25	<b><u>Immediate attention required</u></b> Immediate action by senior management with a detailed risk response plan. Board attention is required and Senior Management responsibilities specified.