



BANK PEMBANGUNAN MALAYSIA BERHAD
Registration No.: 197301003074 (16562-K)

GROUP BOARD AUDIT COMMITTEE
TERMS OF REFERENCE

1. Objective

The Group Board Audit Committee ("Group BAC" or "the Committee") is a Committee of the Board of Directors ("Board"). The Group BAC is to provide support and independent oversight, ensuring that there is a reliable and transparent financial reporting process and internal control system within BPMB and its subsidiaries ("BPMB Group"), and oversee the effectiveness of the internal auditors and external auditors of BPMB Group.

The responsibility of the Committee covers the following entities within the Group: -

- a. Bank Pembangunan Malaysia Berhad ("BPMB");
- b. Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank");
- c. Export-Import Bank of Malaysia Berhad ("EXIM Bank"); and
- d. Any other operating entities which do not have their own Audit Committee as deemed appropriate.

In relation to subsidiaries, approval from their Board is required prior to final approval obtained from the BPMB Board (where applicable).

The Group BAC shall, under the authority delegated by the BPMB Board as the holding company, oversee the establishment, review, and amendment of all internal control, financial and accounting standard-related policies applicable across the BPMB Group.

All policies, Guidelines and Procedures ("PGP") revisions recommended by the Group BAC and approved by the BPMB Board shall be cascaded to the Boards of subsidiaries for formal adoption and implementation.

The functions of the Group BAC shall be reflective of the expected roles and functions of the Committee as stipulated in Bank Negara Malaysia Corporate Governance Policy and Section 7 under the *Garis Panduan Takbir Urus dan Ahli Lembaga Pengarah Syarikat Menteri Kewangan (Diperbadankan)* ("MKD Guideline 2024") and any other PGP governed under BPMB Group.

2. Composition

- 2.1 Group BAC shall consist of not less than three (3) members, comprising Directors from the Board of BPMB, SME Bank, and EXIM Bank.
- 2.2 All Members of Group BAC shall be Non-Executive Directors, with the majority of whom are Independent Non-Executive Directors.

The Chairman of the Board of BPMB, SME Bank and EXIM Bank shall not be a member of the Group BAC.

2.3 The appointment of the Chairman and members of the Group BAC shall be approved by the BPMB Board.

All members of the Group BAC, including the Chairman, shall hold office so long as they remain as Directors of BPMB, SME Bank and EXIM Bank.

2.4 The members of Group BAC may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Directors of BPMB, SME Bank and EXIM Bank.

2.5 Collectively, Group BAC shall have a wide range of necessary skills to discharge their duties. At least one (1) Member must have the following requirements:-

- (i) Member of a recognised association of accountants; OR
- (ii) Must have at least three (3) years of working experience and hold at least a diploma in Accounting; OR
- (iii) In the absence of the above, the majority of members have working experience or knowledge in accounting, auditing practices and financial reporting requirements.

Note:

The criterion of the composition is based on the recommendation of Malaysian Code of Corporate Governance ("MCCG") 2021, make reference to Chapter 15 of Bursa Malaysia Listing Requirements.

2.6 Members of the Group BAC shall possess sound judgement, objectivity, management experience, integrity and knowledge of the industry. The Members of the Group BAC are required to make a declaration of interest in the event that they have interests in proposals, which are being considered by the Group BAC, including where such interest arises through close family members and related party, in line with various statutory requirements on the disclosure of Director's interest.

In all situations, where the Members of the Group BAC are deemed as interested, such interested Member would recuse himself/herself from all proceedings and deliberations of the Group BAC pertaining to the matters of conflict. The declaration of interest and abstention from the deliberation and voting would be recorded in the minutes of meeting or written resolutions of the Group BAC.

3. Chairman 3.1 The Chairman of the Group BAC must be an Independent Non-Executive Director of BPMB. In his/her absence, the members present at the meeting may elect any of its members to be the Chairman of the said meeting.

4. Invitee 4.1 Group BAC may invite the Group CEO, other Directors and/or Senior Management of BPMB Group to attend the Group BAC meeting as 'Invitee' to participate in the meeting during the presentation and deliberation.

4.2 Group BAC may invite to its meeting such other persons as it deems appropriate, in order to carry out its responsibilities.

5. Secretary 5.1 The Company Secretary or any other personnel authorised by Group BAC shall prepare the minutes and resolutions of all Group BAC meetings, including the names of those present and in attendance.
6. Authority 6.1 Group BAC shall have the authority to cover any matter within its Terms of Reference, Group Audit Charter, internal policies, and any other regulatory requirements.
- 6.2 Group BAC shall have full authority to seek/obtain information from any employee of BPMB Group and to commission any investigations, reports or surveys, which it deems necessary in facilitating Group BAC to fulfil its duties and obligations.
- During the discharge of its duties, Group BAC shall have access to the advice and services of the Company Secretary(ies).
- 6.3 Investigate any case(s) within its terms of reference, and/or Whistleblowing Policy, including but not limited to, Whistleblowing and shall have direct communication channels with Senior Management.
- 6.4 Group BAC may request, at BPMB Group's expense (where applicable), any external or independent professional advice or expertise with regard to the Committee's matters, if necessary.
- 6.5 Group BAC shall have direct communication with the External Auditors, Internal Auditors and Senior Management of BPMB and its subsidiaries.
- 6.6 Group BAC shall be able to convene meetings with the Internal/External Auditors without the presence of the Group Chief Executive Officer or the Management of BPMB Group.
- 6.7 Reports of the Internal Auditors to Group BAC shall not be subject to the clearance of the Group Chief Executive Officer.
- 6.8 Group BAC is encouraged to have an independent session with the Committee, without the presence of the Management, before or after the Group BAC meeting.
- 6.9 Group BAC shall be able to convene meetings with Management, and if appropriate, the Secretary, whenever deemed necessary.
- 6.10 The Chairman's report of the Group BAC shall be presented to the Board of BPMB and its subsidiaries (where related to them) on the deliberations, key matters considered, and the Committee's recommendations arising from each meeting, through the presentation of the said report. The report shall highlight significant issues discussed and decisions made within the Committee's authority.
- 6.11 Where an agenda item gives rise to ambiguity or requires comprehensive deliberation and holistic consideration beyond the remit of the Group BAC, the Chairman or any member of the Group BAC shall have the discretion to escalate the matter to the BPMB Board for collective deliberation and informed decision.

7. Roles & Responsibilities

The primary duties and responsibilities of Group BAC include the following:-

7.1 Financial Reporting

- (i) To support the Board of BPMB and its subsidiaries in ensuring that there is a reliable, transparent, and fair financial reporting process in compliance with the Malaysian Financial Reporting Standard 9 ("MFRS 9") or any applicable accounting standards, regulatory requirements, and laws.
- (ii) To review the Consolidated quarterly, half-yearly, and Consolidated Audited Financial Statements ("AFS"), preliminary results releases, and any other formal releases relating to BPMB Group's financial performance prior to submission to the BPMB Board for approval.
- (iii) To review the quarterly, half-yearly, and AFS, preliminary results releases, and any other formal releases relating to BPMB and its subsidiaries' financial performance prior to submission to the Board of BPMB and its subsidiaries for approval.
- (iv) To review, with particular reference to the consolidated AFS of BPMB Group and subsidiaries' AFS, the following key areas highlighted by the External Auditors:-
 - Any major changes or implementation of accounting policies and their impact on the financial statements;
 - Adequacy of allowances and provisions against contingencies, bad and doubtful debts;
 - Significant and unusual transactions or events; and
 - Compliance with accounting standards, statutory requirements, and regulatory expectations.
- (v) To ensure that financial accounts and statements are prepared in a timely and accurate manner, with prompt finalisation and publication of BPMB Group's Consolidated AFS and subsidiaries' AFS.
- (vi) To review and endorse the Statement on Risk Management and Internal Control ("SORMIC") of BPMB, SME and EXIM, prior to approval of the respective Board.
- (vii) To review the accuracy and adequacy of the Chairman's statement in the directors' report, corporate governance disclosures, which include the Group BAC Report, the SORMIC, etc., in relation to the preparation of the financial statements and annual reports.
- (viii) To have an independent session with the External Auditors on any issues, reservations, or concerns arising from the interim or final audits, including any matter the External Auditors wish to raise, without the presence of the Management.

- (ix) To keep Board(s) informed on issues and concerns discussed during Group BAC meetings, including those raised by the External Auditors, and where appropriate, make necessary recommendations for the approval of the Board of BPMB and its subsidiaries (where applicable).

7.2 External Auditors

- (i) To oversee the functions of the External Auditors and ensure compliance with BNM Corporate Governance Policy Document for DFI, BNM Guidelines on External Auditors, the Malaysian Code on Corporate Governance ("MCCG"), and any other applicable laws, regulations, and regulatory requirements.
- (ii) To review and recommend to the Board of BPMB, the appointment or reappointment of the External Auditors, including approval of their audit fees, and any matters relating to resignation, termination, or change of auditors, for approval prior to cascading to the Board of subsidiaries, for adoption.
- (iii) To review and recommend to BPMB Board, the scope of the External Auditor's audit plan, audit approach, frequency, procedures and areas of focus, and to monitor and assess the effectiveness and quality of the external audit process of BPMB and its subsidiaries.
- (iv) To ensure that Management provides full cooperation and necessary assistance to the External Auditors and that appropriate and timely corrective actions are taken to address findings and recommendations raised in the External Auditors' Management Letter and Management Response.
- (v) To monitor and assess the independence and objectivity of the External Auditors, including reviewing and recommending to the Board of BPMB or its subsidiaries (where applicable), the approval for the provision of non-audit services, ensuring such services do not compromise auditor independence.
- (vi) To ensure that proper checks and balances are in place so that the provision of non-audit services does not interfere with the exercise of professional and independent judgment by the External Auditors.
- (vii) To review the External Auditors' reports, including the audit opinion, management letter, and assessment of the adequacy of provisions and allowances against contingencies and impaired assets, and to ensure that significant accounting judgments and issues highlighted are properly addressed.
- (viii) To maintain regular, open, and transparent communication with the External Auditor, including direct access to discuss significant audit matters and issues of concern, without the presence of Management at least once annually.

- (ix) To review and assess the level of assistance and cooperation rendered by Management and staff to the External Auditor during the course of their audit.
- (x) The External Auditor may request to meet with the Group BAC at any time to discuss audit issues or matters they consider necessary and relevant.

7.3 Internal Auditor

- (i) To oversee the functions of the Group Internal Audit Function and ensure compliance with BNM Corporate Governance Policy Document for DFI, BNM Guidelines on Internal Audit Function of Licensed Institutions, the MCCG, and The Institute of Internal Auditors' ("IIA") International Professional Practices Framework ("IPPF"), including the Definition of Internal Auditing, Code of Ethics, and Standards.
- (ii) To review and recommend for BPMB Board approval, the Group Audit Charter, ensuring that the Group Internal Audit Function has the necessary authority, independence, access to information, and resources to carry out its responsibilities effectively, prior to cascading to the Board of subsidiaries, for adoption.
- (iii) To review and approve the Group Internal Audit annual plan, programme, scope, procedures, and frequency of audits to ensure adequacy, relevance, and alignment with the BPMB Group's risk profile.
- (iv) To review the adequacy of the scope, functions, and resources of the Group Internal Audit Function, including budget endorsement, staffing competency, and access to records, systems, and personnel.
- (v) To review internal audit reports of BPMB and its subsidiaries and to ensure that Management takes prompt and adequate corrective actions to address findings and control weaknesses identified.
- (vi) To review the adequacy and effectiveness of the BPMB and its subsidiaries' internal control systems and governance processes, and recommend improvements, where necessary.
- (vii) To recommend to the Board or the Group Board Nomination and Remuneration Committee ("Group BNRC") the appointment, re-appointment, non-renewal, remuneration package, performance appraisal, transfer, or dismissal of the Group Chief Internal Auditor ("Group CIA").
- (viii) To evaluate the overall performance and effectiveness of the Group Internal Audit Function on an annual basis through external assessment (if required) at least once every five (5) years, or more frequently, if warranted.

- (ix) To establish an appropriate mechanism to address and manage any situation that may pose a threat to the objectivity or independence of the Group Internal Audit Function.
- (x) To review the assessment and findings arising from Shariah audits and report any non-compliance events to the Shariah Committee and the Board of BPMB and its subsidiaries (where applicable) and ensure Management implements corrective actions to address the identified issues.
- (xi) To note and deliberate on any significant disagreements between the Group CIA and Senior Management, regardless of whether these have been resolved, to identify any potential impact on the audit process, independence, or findings.
- (xii) To ensure that the Group Internal Audit Function provides risk-based and independent assurance, advice, and insight designed to add value and improve the BPMB Group's operations, risk management, and governance processes.

7.4 Internal Controls, Risk & Compliance

- (i) To review and assess the adequacy, effectiveness, and integrity of the BPMB Group's internal control and risk management frameworks, ensuring that systems and controls are designed and implemented effectively to safeguard the BPMB Group's assets and interests.
- (ii) To review and deliberate on reports relating to internal control lapses, fraud prevention, and the perpetration or detection of fraud, and to ensure that Management takes appropriate and timely corrective actions to address such issues.
- (iii) To review the adequacy, effectiveness, and implementation of the BPMB Group's Business Continuity Management ("BCM"), disaster recovery, and cyber resilience frameworks, including oversight of audit findings and corrective actions related to technology risk, information security, and governance structures.
- (iv) To review third-party or independent opinions on the design, adequacy, and effectiveness of the BPMB Group's internal control framework, and to ensure that recommendations arising from such assessments are duly addressed.
- (v) To oversee the Group Financial Intelligence and Integrity Function (or equivalent), ensuring its independence, authority, and adequacy of resources to carry out its responsibilities, which include complaints verification, investigation management, integrity enhancement, and governance oversight.

- (vi) To review the adequacy and effectiveness of the BPMB Group's integrity and anti-corruption programs, initiatives, and frameworks, including:-
- The Anti-Bribery Management System (ABMS) in accordance with ISO 37001 Standards;
 - The Organizational Anti-Corruption Plan (OACP) and its implementation progress; and
 - The Integrity and Governance Unit (IGU) Report submissions to relevant authorities (e.g., MACC's Bahagian Pengurusan Integriti Agensi).
- (vii) To review investigation reports, including whistleblowing disclosures, control lapses, and non-compliance with statutory or regulatory requirements, governance processes, and internal policies; and to ensure Management's timely corrective actions to address identified issues.
- (viii) To deliberate on investigation or whistleblowing cases and decide on actions to be taken in accordance with the BPMB Group's Whistleblowing Policy and applicable Group Human Resource policies.
- (ix) To monitor and review the BPMB Group's compliance with applicable laws, regulations, and regulatory guidelines, including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) requirements, on an annual basis or as required.
- (x) To oversee the update of Management's responses and corrective measures on issues raised in the Composite Risk Rating ("CRR") letter and examination reports from BNM, upon validation by GIA, prior to submission to the Board of BPMB and its subsidiaries (where applicable), for approval.
- (xi) To review and monitor the progress of the Management's corrective measures on issues raised by regulatory authorities, including BNM, the Ministry of Finance ("MOF"), Jabatan Audit Negara, and other oversight bodies, prior to the approval of the Board of BPMB and its subsidiaries (where applicable).
- (xii) To review and oversee the adequacy of the Group Internal Audit's roles in assessing BCM, risk management, and technology audit areas, ensuring that audit staff possess the necessary competencies to perform such specialised audits effectively.
- (xiii) To ensure continuous improvement in the BPMB Group's internal control environment through periodic review of governance, risk, and compliance functions, and through the implementation of corrective actions to address identified control gaps.

7.5 Related Party Transactions & Conflict of Interest

- (i) To review all Related Party Transactions ("RPT") and Connected Party Transactions ("CPT") entered into by BPMB and its subsidiaries, ensuring that such transactions are conducted at arm's length, on normal commercial terms, and in compliance with internal policies and regulatory requirements, including BNM's Guidelines on Credit Transactions and Exposures with Connected Parties.
- (ii) To monitor and ensure compliance with the Policy on the Management of Conflict of Interest and ensure that proper checks and balances, as well as mechanisms, are in place to safeguard and manage conflicts of interest within the BPMB Group and its subsidiaries.
- (iii) To review and recommend to the Board of BPMB or its subsidiaries (where applicable) for approval all RPTs or CPTs that exceed Management's approval authority or that are subject to specific regulatory or policy requirements.
- (iv) To review and monitor transactions with connected parties, including financing facilities, in line with the BPMB Group's internal guidelines, ensuring such cases are reviewed by the appropriate Group Management Oversight Committees and Group Board Oversight Committees prior to the approval of the Board of BPMB and its subsidiaries (where applicable).
- (v) To ensure that all RPTs and conflicts of interest are properly disclosed in accordance with regulatory requirements, MFRS 9 or any accounting standards, and corporate governance principles.
- (vi) To keep the Board(s) informed and updated on all RPTs, CPTs, and conflict of interest matters deliberated by the Group BAC, including any significant issues, concerns, or recommendations arising therefrom.
- (vii) To ensure that the BPMB Group maintains transparent reporting and adequate documentation for all RPTs and CPTs to facilitate regulatory review and stakeholder assurance.

7.6 Other responsibilities

- (i) To meet with the Group Board Risk Management Committee periodically, to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on BPMB Group's risk appetite and business plans.
- (ii) To consider and deliberate on any other matters as may be referred or delegated by the Board(s) from time to time, consistent with the Group BAC's roles and responsibilities under its TOR.

- (iii) To review the TOR of the Group Management Audit Committee ("Group MAC") as recommended by the BPMB Executive Committee prior to submission to the BPMB Board for approval.
- (iv) To note the minutes of the Group MAC meeting or any committee established equivalent to Group MAC and its written circular resolution.
- (v) To review the TOR of the Group Whistleblowing Policy or any other relevant internal control policies, prior recommendation to BPMB Board for approval, prior to cascading to the Board of subsidiaries, for adoption and implementation.
- (vi) To review and endorse matters under the BPMB Group's Approving Authority Matrix relating to audit, financial reporting, and governance, including but not limited to:-
 - Proposals for dividend declarations to shareholders;
 - Appointment and reappointment of External Auditors and approval of audit fees; and
 - Strategic Growth: Credit Approval for Financing Assets, Investment Papers and Rescheduling/ Restructuring Cases - Within Single Counterparty Exposure Limit ("SCEL*")

For NEW and ADDITIONAL limits or exposure – within 1-year cycle per counterparty: Group BAC is to endorse/ has veto on Bad Debts/ Credit Write Off, regardless of the amount.

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| 8. | Quorum | <p>8.1 The quorum necessary for the Group BAC meeting shall be at least 51% of the total number of Members, of which a majority must be represented by Independent Directors. In deliberating whistleblowing matters, involving allegations against a member of Group BAC, the quorum shall consist of not less than two (2) members, excluding the Group BAC member who is facing the allegation.</p> <p>8.2 A member of the Group BAC shall be deemed to have attended a meeting either by his/her physical presence or via other modes of telecommunication, including but not limited to video conferencing or telephone, subject to the consent of the Chairman of the meeting.</p> <p>8.3 A duly convened meeting of the Group BAC at which a quorum is present shall be fit to exercise all/ any of the authorities, powers and discretions vested in or exercisable by the members.</p> <p>8.4 A member interested in a contract, or a proposed contract or arrangement, shall be counted for the purpose of determining a quorum. However, he/she must abstain from participating in discussions and decisions on matters directly involving him/her.</p> |
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- 8.5 Decisions relating to the Group BAC's recommendation shall be consensus, always adhering to the quorum for the meeting. Notwithstanding the above, the Chairman shall call for a vote of the members if the circumstances warrant it, where the decision shall be carried out based on the majority. In case of an equality of votes, the Chairman shall have a second or casting vote. No Member will abstain from voting unless he/she has declared a conflict of interest.
- 8.6 Group BAC shall meet with the External Auditor at least annually to discuss any matter that either party believes should be discussed privately without the presence of Senior Management.
9. Frequency of meetings
- 9.1 Group BAC shall meet at least six (6) times a year or at such other times as and when requested by the Chairman of the Group BAC.
10. Attendance
- 10.1 All members are required to attend at least 75% of the Group BAC meetings held in each financial year. Attendance shall be validated only through registration via the designated QR code or any approved attendance-recording mechanism.
- 10.2 Members who are unable to attend shall notify the Chairman, together with written justification(s) via other modes of telecommunication.
- 10.3 Any member who fails to attend three (3) consecutive Group BAC meetings and is in non-compliance with Clause 10.1 above, the member will be referred to the BPMB Board for necessary action.
11. Notice of Meeting & Meeting Papers
- 11.1 Meetings shall be notified by the meeting Secretary, or any other personnel authorised by the Group BAC at the request of the Chairman.
- 11.2 Unless otherwise agreed, a notice of each meeting confirming the venue, date and time together with the agenda of items to be discussed, shall be forwarded to the Chairman of Group BAC, preferably not less than seven (7) days prior to the date of the meeting.
- 11.3 All meeting papers shall be provided to Group BAC Members not less than three (3) days prior to the date of the meeting. However, papers that are deemed urgent and/or confidential may still be submitted to the Company Secretary after the expiry of the deadline for paper submission to be tabled at the Group BAC, subject to the approval by the Chairman of the Group BAC.
- 11.4 After the conclusion of the Group BAC meeting, a summary decision of the meeting shall form part of the presentations and proposal papers to the relevant Board meeting.

12. Confidentiality and Document Handling
- 12.1 All Group BAC material is strictly confidential and provided solely for the Group BAC discussion.
- 12.2 To ensure confidentiality is protected, highly sensitive papers can be distributed on the day of the meeting or during the meeting.
- 12.3 Appropriate measures may be taken, in the interest of confidentiality and good governance, to safeguard the Group BAC materials upon the conclusion of a meeting.
- 12.4 The Company Secretary shall act as the custodian of all confidential documents and meeting recordings of the Group BAC.
- Any recording of the Group BAC meetings shall be strictly for the purpose of assisting the Secretary in the preparation of the minutes.
- 12.5 The retraction of confidential documents may only be requested by the Chairman of the Group BAC.
- 12.6 Breach of confidentiality obligation by any member, company secretary or any responsible person shall be subject to review by the Group BAC and BPMB Board.
13. Minutes of Meeting & Circular Resolution
- 13.1 The Secretary shall minute the proceedings and resolutions of the meeting. The minutes must record the decisions of the Group BAC, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself from deliberating on a particular matter.
- 13.2 The Secretary shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly.
- 13.3 Draft minutes of each Group BAC meeting shall be circulated to the Group BAC members prior to tabling the said minutes for confirmation five (5) days before the subsequent Group BAC meeting.
- 13.4 Minutes of the Group BAC meetings shall be approved by the members and signed or digitally signed by the Chairman of the meeting.
- 13.5 A circular resolution in writing signed or digitally signed by all of the members of Group BAC in like form shall be valid and effectual as if it had been passed at a meeting of Group BAC. The circular resolution in writing shall be supported by relevant papers setting out details of the subject matter. The members of Group BAC may obtain more information from Management and express their views or points and convey their decision by facsimile, electronic mail or any other means of telecommunication.
- The circular resolution in writing is limited to matters which are not complex and do not require in-depth discussion. All circular resolutions shall be submitted for information/ confirmation at a meeting of Group BAC following the passing of the circular resolutions.

13.6 Minutes of meetings and circular resolutions in writing of Group BAC, which have been confirmed and signed/digitally signed, shall be submitted to the Board for notification.

14. Others

14.1 The Terms of Reference shall be reviewed once every two (2) years or as and when required.

The review/amendment/modification of the Terms of Reference shall be tabled at the Group BAC for recommendation and approved by the BPMB Board.

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