



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

GROUP BOARD RISK MANAGEMENT COMMITTEE
TERMS OF REFERENCE

1. Objective

The primary objective of Group Board Risk Management Committee ("Group BRMC") is to oversee the Management's activities in managing the key risk areas of Bank Pembangunan Malaysia Berhad ("BPMB"), Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank"), and Export-Import Bank of Malaysia Berhad ("EXIM Bank") [collectively called as Development Financial Institutions ("DFIs")] on all Group BRMC-related matters for the BPMB and its group of subsidiaries ("BPMB Group"), and to ensure that the risk management process is in place and functioning effectively.

The Group BRMC is to support the Board(s) in meeting the expectations on risk management as set out by Bank Negara Malaysia ("BNM") and Minister of Finance Incorporated ("MOF Inc") in overseeing the Management's activities in managing credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, technology risk, cyber risk, data risk, and business continuity risk), sustainability risk (including climate-related risk), reputational risk and other relevant risk and to ensure that the risk management process is in place and functioning for BPMB Group.

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

- (a) BPMB;
- (b) SME Bank;
- (c) EXIM Bank; and
- (d) Any other operating entities which do not have their own Risk / Compliance 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 BRMC shall, under the authority delegated by the BPMB Board as the holding company, oversee the establishment, review, and amendment of all risk-related policies applicable across the BPMB Group.

All Policies, Guidelines and Procedures revisions recommended by the Group BRMC and approved by the BPMB Board shall be cascaded to the Boards of subsidiaries for formal adoption and implementation.

2. Composition

2.1 Group BRMC 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 BRMC shall be Non-Executive Directors with 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 BRMC.

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

All members of Group BRMC, 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 BRMC 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 The members of Group BRMC shall possess sound judgement, objectivity, management experience, integrity and knowledge of the industry. The members of Group BRMC are required to make a declaration of interest in the event that they have interests in proposals, which are being considered by Group BRMC, 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 Group BRMC are deemed as interested, such interested member would recuse himself/herself from all proceedings and deliberations of Group BRMC pertaining to the matters of conflict. The declaration of interest and abstention from the deliberation and voting would be recorded in the minutes of the meeting or written resolutions of Group BRMC.

3. Chairman 3.1 The Chairman of Group BRMC 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 BRMC may invite the Group Chief Executive Officer ("Group CEO"), other Directors and/or Senior Management of BPMB Group to attend the Group BRMC meeting as 'Invitee' to participate in the meeting during the presentation and deliberation.

4.2 Group BRMC 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 the Group BRMC shall prepare the minutes and resolutions of all Group BRMC meetings, including the name of those present and in attendance.

6. Authority 6.1 Group BRMC shall have the authority to cover any matter within its Terms of Reference, internal policies and any other regulatory requirements.

6.2 Group BRMC 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 BRMC to fulfil its duties and obligations.

During the discharge of its duties, Group BRMC shall have access to the advice and services of the Company Secretary(ies).

6.3 Group BRMC may request, at BPMB Group's expense (where applicable), any external or independent professional advice or expertise with regard to the Group BRMC matters, if necessary.

6.4 Group BRMC is encouraged to have an independent session with the Committee, without the presence of the Management, before or after the Group BRMC meeting.

6.5 Group BRMC shall be able to convene meetings with Senior Management of BPMB Group, and if appropriate, the Secretary, whenever deemed necessary.

6.6 The Chairman report of the Group BRMC 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, decisions made within the Committee's authority.

6.7 Where an agenda item gives rise to ambiguity or requires comprehensive deliberation and holistic consideration beyond the remit of the Group BRMC, the Chairman of the Group BRMC shall have the discretion to escalate the matter to the BPMB Board for collective deliberation and informed decision.

7. Roles & Responsibilities

The duties and responsibilities of Group BRMC shall include the following:-

7.1 To provide oversight and strategic direction on the overall management of all risks applicable to the BPMB Group including but not limited to managing credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, technology risk, cyber risk, data risk, and business continuity risk), sustainability risk (including climate-related risk) and other relevant risk.

7.2 To review and recommend risk strategies (e.g. development of new products, ventures into new market or business activities, product pricing strategies, planning of technology, skills and resources required), framework, policies and risk appetite/tolerance that is appropriate to the nature, scale and complexity of the activities applicable for BPMB Group, for the BPMB Board's approval prior cascading to the subsidiaries' Board for adoption and implementation.

7.3 To review and assess the adequacy of Group-wide risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.

7.4 In relation to risk methodology:

(a) To review and recommend risk methodologies, broad-based risk limits and/or changes to the risk appetite and/or limit including measurement and management of risks arising from the BPMB Group's business and operational activities for the BPMB Board's approval.

(b) To ensure the risk limits are within the BPMB Board's approved risk appetite and strategy.

The above will be cascaded to the subsidiaries' Board for adoption and implementation.

7.5 To ensure infrastructure, resources and systems are in place for risk management that is, ensuring that the staff responsible for implementing risk management systems perform those duties independently of BPMB Group's risk-taking activities.

7.6 Review regularly reports by the Management on risk exposures to credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, technology risk, cyber risk, data risk, and business continuity risk), sustainability risk (including climate-related risk) and other relevant risk, risk portfolio composition and risk management activities including the adequacy of tools, systems and resources for the successful execution of risk functions within BPMB and its subsidiaries.

7.7 To provide effective oversight of Management's actions to ensure consistency with the risk strategy and policies approved by the BPMB Board, including the risk appetite framework and implementation for BPMB Group.

7.8 To provide oversight on the adequacy and effectiveness of overall risk management processes of BPMB Group through regular and timely risk exposure report(s) and shall be supported by independent assessments by the relevant control functions.

7.9 Specifically on Business Continuity Management ("BCM"), the Group BRMC shall provide oversight on the Group-wide implementation of sound BCM and shall undertake the following:-

(a) review and recommend overall BCM policy and strategies, which shall be consistent with the BPMB Group's risk tolerance level as well as the nature, complexity and materiality of the Group's business operations to the BPMB Board for approval.

(b) Provide leadership, direction and oversight in ensuring effective BCM practices, recovery and resumption procedures are in place for the continuation of critical business functions should a major operational disruption occur.

- (c) provide oversight that BPMB and its Group has a workable Business Continuity Plan ("BCP") and/or contingency plan in place for all critical business functions which is consistent with the Group's overall business objectives.
- (d) provide oversight that the BCP is adequately tested and regularly updated to reflect changes in the operational environment and business activities and the level of risk that the Group represents to the operation of the financial system.

The above will be cascaded to the subsidiaries' Board for adoption and implementation.

7.10 Specifically for stress testing, the Group BRMC shall exercise oversight on the development and implementation of the stress testing programme and shall undertake the following:-

- (a) review and recommend policies governing the stress testing programme and ensuring sufficient resources and expertise to effectively implement the programme;
- (b) provide oversight on the design of stress testing is consistent with the Group's risk appetite and is appropriate to the nature, scale and complexity of its risk-taking activities and overall business strategy;
- (c) provide constructive challenge on the results of stress tests, scenarios, key assumptions and methodologies used in the stress tests;
- (d) review the appropriateness of management actions proposed by Management to mitigate potential vulnerabilities assess the outcome of the stress testing on BPMB Group's risk appetite, capital and liquidity planning, and strategic business (including climate) decisions; and
- (e) consider the implication of stress testing results on the BPMB and its Group's risk appetite, capital and liquidity planning, and strategic business decisions.

The above will be cascaded to the subsidiaries' Board for adoption and implementation upon approval by the BPMB Board.

7.11 In relation to internal capital adequacy assessment process ("ICAAP"), the Group BRMC is required to:-

- (a) Oversee and control the implementation of the capital plan, summary of capital adequacy reports as part of the risk reports, and capital management, capital management standards and policies.
- (b) Determine the risk appetite/tolerance level of BPMB at enterprise and at strategic business unit levels including BPMB Group but not limited to sectoral limit and counterparty limits.
- (c) Review the allocation of risk-adjusted capital and broad-based limits across BPMB Group covering market, credit, operational risk, and where required climate risk.

- 7.12 Overseeing the management of BPMB Group's compliance risk. In order to fulfil this duty, Group BRMC is required to:-
- (a) approve the annual BPMB Group's Compliance plan;
 - (b) endorse BPMB Group's compliance policy and oversee its implementation;
 - (c) recommend for BPMB Board's approval on the establishment of the compliance function and the position of the Group Chief Compliance Officer ("GCCO"), and ensure that the Compliance function and the GCCO are provided with appropriate standing, authority and independence;
 - (d) discuss compliance issues regularly, ensuring that adequate time and priority is provided in Group BRMC's agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously;
 - (e) oversee the progress and resolution of BNM Composite Risk Rating findings for BPMB and its subsidiaries and recommend to the Board of BPMB and/or its subsidiary(ies), where applicable, for approval on the quarterly status updates prior to submission to BNM;
 - (f) oversee and review the effectiveness of BPMB Group's Compliance programmes and implementation of the programmes, which include but not limited to the following:-
 - (i) approve the compliance annual review plans;
 - (ii) approve the annual outsourcing plan;
 - (iii) approve key initiatives to anti-money laundering / counter financing of terrorism ("AML/CFT");
 - (iv) review reports by the Management on compliance initiatives and activities;
 - (v) monitor the compliance with the relevant legal and regulatory requirements as well as Shariah principles.
 - (g) evaluate the effectiveness of BPMB Group's overall management of compliance risk, having regard to the assessments of Management and Group Internal Audit, as well as interactions with GCCO.

The above will be cascaded to the subsidiaries' Board, where relevant, for adoption and implementation upon approval by the BPMB Board.

- 7.13 To seek independent third-party review, views or information on risk implications or validation of risk management and/or measurement, where required, before coming to any conclusion or making any significant policy recommendation.
- 7.14 To meet with Group Board Audit 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.
- 7.15 To assess the effectiveness of BPMB Group's operational and organizational structures and its ability to manage risks on an enterprise-wide and group-wide basis and the implications for capital and funding strategies.

- 7.16 In relation to the position of Group Chief Risk Officer ("GCRO"), the Group BRMC is required to:-
- (a) To establish an independent senior risk executive role (GCRO or its equivalent) who has direct and unimpeded access to the Board and Group BRMC and to allow for effective engagement with Group CEO and other members of Senior Management with sufficient stature, authority, seniority and distinct responsibility for the Group Risk Management function and framework across the entire organisation;
 - (b) To recommend to the Group Board Nomination and Remuneration Committee ("Group BNRC") and/or BPMB Board on the appointment, performance evaluation and termination of the GCRO;
 - (c) To engage with GCRO on a regular basis and to provide the opportunity for GCRO to meet with Group BRMC and to discuss issues faced by the Group Risk Management function;
 - (d) In relation to item (c) above, Group BRMC may consider engaging with GCRO without the presence of other Senior Management from time to time; and
 - (e) To ensure that GCRO is supported with sufficient resources, including competent officers, to perform his/her duties effectively.

- 7.17 In relation to the position of GCCO, the Group BRMC is required to:-
- (a) recommend to the Group BNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the GCCO;
 - (b) ensure that GCCO has sufficient stature to allow for effective engagement with Goup CEO and other members of Senior Management;
 - (c) engage with GCCO on a regular basis and to provide the opportunity for GCCO to meet with Group BRMC and to discuss issues faced by Group Compliance function;
 - (d) in relation to item (c) above, Group BRMC may consider engaging with GCCO without the presence of other Senior Management from time to time;
 - (e) provide GCCO with direct and unimpeded access to Group BRMC;
 - (f) ensure that GCCO is supported with sufficient resources, including competent officers, to perform his/her duties effectively; and
 - (g) where GCCO also carries out responsibilities in respect of other control functions (if any), be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by GCCO.

- 7.18 In relation to sustainability and climate change risks of BPMB Group:
- (a) Oversee the development and implementation of sustainability (including climate) risk management framework.
 - (b) Deliberate and endorse BPMB Group's MIND and Sustainability Framework and ensure it clearly articulates the accountability and the process for effective management of sustainability and climate-related risks of the Group.
 - (c) Review and reaffirm BPMB Group's MIND and Sustainability Framework and its related policies remain relevant on an on-going basis.
 - (d) Deliberate enterprise-wide risks, emerging risks and events, including sustainability-related risks, that may directly/indirectly impact on the Group's risk profile.
 - (e) Deliberate the integration of material sustainability risks and opportunities into business processes including the Group's risk management frameworks.
 - (f) Monitors the relevant risk dashboards, on a quarterly basis or as and when required, on matters involving sustainability and climate-related risks.
 - (g) Review periodic reports on sustainability risks and opportunities.

The above will be cascaded to the subsidiaries' Board for adoption and implementation upon approval by the BPMB Board.

- 7.19 In relation to Cyber, Technology Risk and data-related matters:
- (a) Ensure effective oversight and management of the BPMB Group's technology related risks profile.
 - (b) Review and recommend technology risk appetite, IT and Cybersecurity strategic plan and corresponding risk tolerances for the BPMB Board for approval.
 - (c) Review and assess the robustness of BPMB Group's technology risks management and processes, including those related to cybersecurity, IT infrastructure, and data protection.
 - (d) Regularly monitor Key Risk Indicators to track the technology risk exposure.
 - (e) Ensure that risk assessments undertaken in relation to material technology applications submitted to the BNM are robust and comprehensive.
 - (f) Review and deliberate on the outcomes of the relevant IT/technology resilience and risk assessment.

The above will be cascaded to the subsidiaries' Board for adoption and implementation upon approval by the BPMB Board.

- 7.20 To review and recommend all policies related to anti-bribery and corruption of the BPMB Group for onward approval by the BPMB Board. The same will be cascaded to the subsidiaries' Board for adoption and implementation.

- 7.21 To oversee and advise management on potential reputational risks (including climate related) that may arise from the Bank's businesses, policies, practices, external stakeholder relationships and their perception of the BPMB Group.
 - 7.22 To review and endorse the Statement on Risk Management and Internal Control ("SORMIC") of BPMB, SME Bank and EXIM Bank, prior to approval of the respective Board.
 - 7.23 To actively promote consistent culture of risk awareness, risk management and compliance, by taking the lead in establishing the tone-at-the-top and in upholding standards of conduct, organizational practice and corporate values that are consistent with the Bank's overall risk appetite.
 - 7.24 To review the TOR of the Group Management Risk Committee ("Group MRC") and Group Asset & Liability Committee ("Group ALCO") as recommended by the BPMB Group EXCO prior submission to the Board for approval.
 - 7.25 To note the minutes of the Group MRC and Group ALCO and its written circular resolution(s).
 - 7.26 To consider any other matters as referred by BPMB Board or Board of subsidiaries to Group BRMC (where applicable).
8. Quorum
- 8.1 The quorum necessary for the Group BRMC meeting shall be at least 51% of the total number of Members, of which a majority must be represented by Independent Directors.
 - 8.2 A member of the Group BRMC 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.
 - 8.3 A duly convened meeting of the Group BRMC 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.
 - 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.
 - 8.5 Decisions relating to the Group BRMC'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 or she has declared a conflict of interest.

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| 9. | Frequency of meetings | of 9.1 | Group BRMC shall meet at least six (6) times a year or at such other times as and when requested by the Chairman of the Group BRMC. |
| 10. | Attendance | 10.1 | All members are required to attend at least 75% of the Group BRMC 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 the meeting 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 BRMC 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 paper | 11.1 | Meetings shall be notified by the meeting Secretary or any other person authorised by the Group BRMC 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 the Group BRMC, preferably not less seven (7) days prior to the date of the meeting. |
| | | 11.3 | All meeting papers shall be provided to the Group BRMC 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 Secretary after the expiry of the deadline for paper submission to be tabled at the Group BRMC, subject to the approval by the Chairman of the Group BRMC. |
| | | 11.4 | After the conclusion of the Group BRMC meeting, a summary decision of the meeting shall form part of the presentations and proposal papers to the relevant Board meetings. |
| 12. | Confidentiality and Document Handling | 12.1 | All Group BRMC material is strictly confidential and provided solely for the Group BRMC 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 BRMC 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 BRMC.

Any recording of the Group BRMC 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 BRMC. |

- 12.6 Breach of confidentiality obligation by any member, Company Secretary or any responsible person shall be subject to review by the Group BRMC 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 BRMC, 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 BRMC meeting shall be circulated to Group BRMC members prior to tabling of the said minutes for confirmation five (5) days before the subsequent Group BRMC meeting.
- 13.4 Minutes of the Group BRMC 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 BRMC in like form shall be valid and effectual as if it had been passed at a meeting of Group BRMC. The circular resolution in writing, shall be supported by relevant papers setting out details of the subject matters. The members of Group BRMC may obtain more information from Management and express their views or points and convey their decisions by facsimile, electronic mail or any other means of telecommunication.
- The circular resolution in writing is limited to matters, which is not complex and does not require in-depth discussion. All circular resolutions shall be submitted for information/confirmation at a meeting of Group BRMC following the passing of the circular resolutions.
- 13.6 Minutes of meetings and circular resolutions in writing of Group BRMC, which have been confirmed and signed/digitally signed, shall be submitted to the BPMB Board, for notification.
14. Others
- 14.1 The Terms of Reference shall be reviewed once every (2) years or as and when required.
- The review/ amendment/ modification of the Terms of Reference shall be tabled at the Group BRMC for recommendation and approved at the BPMB Board.

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