

## TERMS OF REFERENCE OF BOARD RISK COMMITTEE

No	Items	Terms
1.	<b>Name</b>	Board Risk Committee (“BRC”)
2.	<b>Objective</b>	The BRC is to support the Board of Directors’ (“Board”) in managing risk as set out by Bank Negara Malaysia (“BNM”) Policy Document on Risk Governance and oversee the Management’s activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk, business risk, compliance/regulatory risk, digital/ICT security risk, reputational risk and other risk and to ensure that the risk management process is in place and functioning.
3.	<b>Chairmanship</b>	An Independent Non-Executive Director appointed by the Board.  In the absence of the BRC Chairman, one of the members present can be appointed as Chairman of the meeting.
4.	<b>Membership/ Composition</b>	The membership of the BRC shall consist of not less than three (3) members, majority of which must be Independent Non-Executive Directors.
5.	<b>Approval of Terms of Reference</b>	The Terms of Reference of BRC shall be approved by the Board.
6.	<b>In attendance/Non-member invitees</b>	(i) President/Chief Executive Officer (“P/CEO”) (or designated representative); and (ii) Chief Risk Officer (“CRO”) (or representative from Risk Management Division).  The BRC Chairman, may at his discretion, invite any other person from time to time to attend the meetings.
7.	<b>Secretariat</b>	Head of Corporate Secretarial Department (“CSD”) or a representative from CSD.
8.	<b>Frequency of meeting</b>	At least once every two (2) months or as and when required.

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9.	<b>Quorum for meeting</b>	<p>(i) The quorum shall be three (3) members. In case of insufficient quorum, the meeting shall be adjourned to such other date and at such other time and venue as the members may determine.</p> <p>(ii) A director 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 discussion and decisions on matters directly involving him/her to avoid any conflict of interest.</p> <p>(iii) The quorum must be present in person. However, a member may also constitute the quorum by means of audio, or audio and visual communication where he/she is unable to be present in person with the BRC Chairman's approval.</p>
10.	<b>Quorum for decision making</b>	Questions arising at any meeting shall be decided by a majority vote. In case of an equality vote, the Chairman shall have a second or casting vote.
11.	<b>Circular Resolution</b>	A circular resolution in writing shall be valid and effectual if it is approved and signed by all members.
12.	<b>Roles and Responsibilities</b>	<p>The BRC shall have the following specific responsibilities on:-</p> <p>(a) Strategy and Policy</p> <ul style="list-style-type: none"> <li>• Oversee, review and approve/recommend risk management philosophy and strategy, including risk appetite to the Board for approval.</li> <li>• Review, approve/recommend the risk management framework, policies, controls and systems of the Bank in accordance with the Board approved risk management philosophy and strategy.</li> <li>• Review and approve/recommend to the Board the risk appetite/tolerance of the Bank at enterprise and at strategic business unit levels.</li> </ul>

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		<ul style="list-style-type: none"> <li>• Recommend new products/services, systems and processes which are fundamentally different from the Bank's existing products/services, systems and processes as proposed by Management.</li> <li>• Review, approve/recommend new outsourcing providers and arrangements for the Board's approval and periodically be informed and review on the performance of the existing outsourcing providers prior to renewal.</li> <li>• Maintaining continued awareness of any changes in the Bank's risk profile to ensure that the Bank's business activities, operations, systems, policies and procedures are in line with the overall risk strategy, appetite and tolerance.</li> </ul> <p>(b) Organisation</p> <ul style="list-style-type: none"> <li>• Overseeing the overall management of all risks including overall balance sheet risks, market risk, credit risk, country risk, operational risk, liquidity risk, legal risk, Shariah risk, business risk, compliance/regulatory risk, digital/IT/ICT security risk, reputational risk and other risk.</li> <li>• Ensure clear and independent reporting lines and responsibilities for the overall business activities and risk management functions.</li> <li>• Cultivate a proactive risk and compliance management culture in the day-to-day Bank's business and activities.</li> <li>• Independent review/oversight of the Bank's risk management, policies, procedures, infrastructure, capabilities, environment and processes.</li> </ul> <p>(c) Measurement</p> <ul style="list-style-type: none"> <li>• Approve/recommend risk methodologies including measurement and management of risks arising from the Bank's business and operational activities including approve/recommend to the Board any changes to the risk limits for the Board's approval.</li> <li>• Ensure appropriateness of risk measurement methodologies (including assumptions made within the</li> </ul>

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		<p>methodologies) for appropriateness under the prevailing business environment.</p> <ul style="list-style-type: none"> <li>• Engage external and independent reviewer(s) for the validation of risk measurement methodologies and outputs as required.</li> <li>• Review and approve/recommend broad-based risk limits for the Board’s approval and to ensure the risk limits are within the Board’s approved risk appetite and strategy.</li> <li>• Approve/recommend detailed risk limits based on the Boards broad based limits/tolerance/appetite.</li> <li>• Oversee the management’s actions to ensure consistency with the Board’s approved risk appetite, risk strategy, risk policies and that risk limits granted are adhered to and within the approved risk limits.</li> </ul> <p>(d) Processes and Technology</p> <ul style="list-style-type: none"> <li>• To ensure sufficient internal controls are embedded in the Bank’s daily activities to detect deficiencies in the control environment in a timely manner.</li> <li>• Oversee and review the independence and robustness of risk management processes throughout the Bank and approve/recommend the Bank’s key risk control and mitigation processes for the Board’s approval.</li> <li>• Periodically review risk exposures of the Bank in line with its risk strategy and objectives.</li> <li>• Delegating predetermined specific authority to the Management, Audit, Risk and Compliance Committee (“MARCC”) or Management to approve specific deviations and the extent of these deviations from limits.</li> <li>• Review and recommend the contingency plan for dealing with various extreme internal/external event(s) disasters.</li> <li>• Ensure adequacy of tools, systems, processes and resources for the control functions including proper oversight of risk management as well data recording,</li> </ul>

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		<p style="text-align: center;">accuracy, record maintenance and retention.</p> <p>(e) Oversight on matter relating to Anti Money Laundering and Counter Financing of Terrorism Act 2001 (“AMLATFA”)</p> <ul style="list-style-type: none"> <li>• Oversight on the Anti- Money Laundering and Counter Financing of Terrorism (“AML/CFT”) measures undertaken and be fully committed in establishing an effective internal control system, including but not limited to the following:-               <ul style="list-style-type: none"> <li>- To ensure AML/CFT measures are in place.</li> <li>- To set minimum standards and endorse the AML/CFT policies, procedures and controls.</li> <li>- To designate a compliance officer at Senior Management level with sufficient authority.</li> <li>- To regularly review and assess the AML/CFT measures and implementation.</li> <li>- To ensure that proper training programs on AML/CFT practices and measures for its employees are sufficiently and appropriately conducted.</li> </ul> </li> </ul> <p>(f) Oversight role over the Chief Risk Officer (“CRO”) and Chief Compliance Officer (“CCO”)</p> <ul style="list-style-type: none"> <li>• To approve/recommend the appointment, remuneration package, performance evaluation and termination of the CRO and CCO.</li> <li>• To engage with CRO and CCO on a regular basis to discuss issues faced by the Risk Management and Compliance functions. BRC may consider engaging with CRO and CCO without the presence of other Senior Management from time to time.</li> <li>• To ensure that CRO and CCO are supported with sufficient resources including competent staff to perform their duties effectively.</li> </ul>

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13.	<b>Submission of papers</b>	Submission of papers to the BRC shall be no later than three (3) working days prior to the meeting.
14.	<b>Notice of Meeting</b>	Notice of Meeting to be issued to the BRC members not later than seven (7) calendar days prior to the meeting unless consent for a shorter notice for ad-hoc meeting had been obtained from the BRC Chairman.
15.	<b>Meeting Allowance</b>	The meeting allowance shall be determined by the Ministry of Finance.

*Note:*

*Approved by the Board at its 6<sup>th</sup> Special meeting on 5 May 2021.*