



MBSB BERHAD

(formerly known as Malaysia Building Society Berhad)

Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

1.0 PREAMBLE

The Board of Directors (“Board”) of MBSB Berhad and its subsidiaries (“the Group”) has established a Group Board Risk and Compliance Committee (“GBRCC”) with authority and duties as specified in these terms of reference.

2.0 REFERENCE

This Terms of Reference is set out as a guide on the principles and operations of the GBRCC of the Group.

3.0 COMPOSITION OF THE COMMITTEE

- 3.1 The Committee shall consist of only non-executive directors with at least three (3) members, with a majority of whom are independent directors and chaired by an Independent Non-Executive Director;
- 3.2 No alternate directors shall be appointed as a member of the Committee;
- 3.3 The Committee’s Chairman shall be designated by the Board or, if it does not do so, the Committee members shall elect a Chairman by vote of a majority of the full Committee;
- 3.4 In the event of any vacancy in the Committee, arising from retirement or resignation, with the result that the number of members is reduced to below three (3), the Board of Directors must fill the vacancy within three (3) months;
- 3.5 The Board may from time to time appoint to the Committee additional members who are Non-Executive Directors as it deems fit and necessary, subject to Section 3.1 above being complied;
- 3.6 The Committee may invite any director, executive, or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective; and
- 3.7 The Chairman of the Committee is not the Chairman of the Board.



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4.0 SECRETARY OF THE COMMITTEE

- 4.1 The Group Chief Risk Officer (GCRO) shall be the Secretary of the Committee and the Head of Company Secretarial Department shall be the Recording Secretary to the Committee.
- 4.2 The Recording Secretary shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulate the notice of meeting supported by explanatory documentation to members of the GBRCC prior to each meeting. The Recording Secretary shall keep the minutes of meetings.

5.0 OBJECTIVE

- 5.1 The duties of the Board are to be aware and ensure the proper oversight of the management of all risks covering credit risk, market risk, liquidity risk, shariah risk, IT risk, operational risk management, climate risk and compliance risk as well as legal and other risks.
- 5.2 The primary objectives of the Committee are to:-
- i. Assist the Board in fulfilling its fiduciary responsibilities particularly in management controls;
 - ii. Oversee Senior Management's activities in managing credit, market, liquidity, shariah, IT, operational, compliance, legal, climate and other risk and to ensure that the risk management process is in place and functioning;
 - iii. Provide focal point for communication between risk managers, Board and Senior Management on matters in connection with reporting, risks and controls and providing a forum for discussion independent of the Management;
 - iv. Review and recommend areas related to the administration of Risk Management Controls, to the Board for approval; and
 - v. Undertake additional duties as may be deemed appropriate and necessary to assist the Board.



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6.0 DUTIES AND RESPONSIBILITIES

6.1 With regards to Risk Management and Compliance, the Committee is responsible for the following:

- i. Support the Board in overseeing the management of risk and compliance within the Group;
- ii. Review existing resources for risk management and compliance functions to ensure adequacy of staff with the necessary competencies and experience in discharging their duties;
- iii. Evaluate the effectiveness of the Group's risk management and compliance functions and overall management of risk and compliance risk;
- iv. Review and recommend the Risk Management and Compliance Annual Plans to the Board for approval;
- v. Review and recommend the appointment, transfer or removal of the GCRO, Group Chief Compliance Officer (GCCO) and Group Head of Integrity & Governance Unit (IGU). The appraisal of the GCRO, GCCO and Group Head of IGU would be reviewed and moderated by the Committee, for recommendation to Group Nominating & Remuneration Committee (GNRC) and Board's approval;
- vi. Evaluate, review or assess the performance of the GCRO, GCCO and Group Head of IGU and recommend the same to the GNRC for further recommendations to the Board on the remuneration packages;
- vii. Ensure that the GCRO, GCCO, Group Chief Information Security Officer (GCISO) and Group Head of IGU are provided with direct and unimpeded access to the Board;
- viii. Ensure risk management and compliance functions and the GCRO and GCCO are provided with appropriate standing, authority and independence;
- ix. Ensure infrastructure, resources and systems and other capabilities are in place for



MBSB BERHAD

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Effective date: 19 December 2024

risk management and compliance functions and are adequate to maintain a satisfactory level of risk management and compliance disciplines;

- x. Ensure that the risk management and compliance functions are able to secure assistance from other functions with specific expertise, for example, Legal Advisory. In this respect, Group Risk Management and Group Compliance Division must have clear authority to engage with any officers and obtain access to relevant information for purposes of discharging its responsibilities;
- xi. Review and recommend new policies and frameworks (excluding all HR related policies and frameworks) to the Board for approval to facilitate the right risk and compliance culture in the day-to-day business and operational activities;
- xii. Approve revisions to all existing policies and frameworks (excluding all HR related policies and frameworks);
- xiii. Review and recommend reports and matters for disclosure and announcements to the public or regulators, to the Board for approval, including Statement of Risk Management and Internal Controls (SORMIC) reporting and sustainability reporting (excluding integrated annual reporting and financial reporting and financial reporting);
- xiv. Review and recommend the execution and implementation of Board approved strategies relating to risk management and compliance functions and endorse periodic reporting of progress updates and performance on implementation of strategies and plans by the respective division;
- xv. With regards to procurement and engagement of third parties / contractors of services that are not considered outsourcing arrangements:
 - Review and recommend the overall strategies / plans for appointment, renewal and termination of vendors, consultants or third parties to the Board for approval; and
 - Approve the appointment, renewal and termination of vendors, consultants or third parties whereby the contract value has been budgeted and approved by the Board and exceeds Management Committee's approving limit (excluding



MBSB BERHAD

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Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

and HR and Internal Audit related matters);

- xvi. With regards to Approving Authority and Power of Attorney:
- Review and recommend the delegation and empowerment given to Approving Authorities (Approving Authority and Power of Attorney) involving **financial** matters, to the Board for approval; and
 - Approve the delegation and empowerment given to Approving Authorities (Approving Authority and Power of Attorney) involving **non-financial** matters;
- xvii. With regards to OPEX and CAPEX spending matters (excluding HR and Internal Audit related matters):
- Review and recommend **unbudgeted** OPEX and CAPEX spending that exceeds Management Committee's approving limit, to the Board for approval; and
 - Approve **budgeted** OPEX and CAPEX spending that exceeds Management Committee's approving limit;
- xviii. Review and recommend monthly / quarterly dashboard / updates and ad-hoc reporting on risk and compliance matters to the Board for notification;
- xix. Approve the appointment, re-appointment and termination of Third Parties or Consultants conducting independent assessments whereby the contract value has been budgeted and approved by the Board (excluding External Auditors / consultants required by regulators and HR related matters); and
- xx. Endorse the outcomes of independent assessments conducted by appointed third parties or consultants (excluding External Auditors / consultants reports as required by regulators and HR related matters);

6.2 With regards to Risk Management specifically, the Committee is responsible for the following:

- i. Review operational policies of the Group and formulate new ones where appropriate to improve efficiency, cost effectiveness and control over the resources;



MBSB BERHAD

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Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

- ii. Review, monitor, mitigate and report the significant risks as identified by the Group Risk Management Division and their impact on the operations;
- iii. Review and recommend on the risk appetite / tolerance limits (including limits for policy deviations) of the Group and ensure risk exposures are within the parameters set by the Board;
- iv. Ensure oversight of risk management disclosures by approving all disclosures, disclosure policies and internal controls over the disclosure process in line with regulatory requirements;
- v. Review the allocation of risk-adjusted capital and broad-based limits across the Group covering market, credit and operational risk;
- vi. Ensure that there are clear and independent reporting lines and responsibilities for the overall business activities and risk management functions;
- vii. Inculcate risk management culture within the Group so that risk management processes and controls are applied and embedded in the day-to-day business and operational activities;
- viii. Review and recommend all new risk policies, methodologies and strategies for measuring and managing risks arising from the Group's business and operational activities, for Board's approval;
- ix. Review and assess the adequacy of risk management policies and framework (including processes, systems and internal controls), in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- x. Review contingency plans for dealing with various extreme internal / external events and disasters;
- xi. Support the Board in meeting the expectations on risk management as set out in BNM's policy document on Risk Governance;



MBSB BERHAD

(formerly known as Malaysia Building Society Berhad)

Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

- xii. Reviewing and recommending the outcomes of stress testing and scenario analysis to the Board for notification;
- xiii. With regards to Outsourcing matters:
 - Review and recommend the overall strategies and plans for Outsourcing to the Board for approval; and
 - Approve the appointment and termination of Outsourced Serviced Providers whereby the contract value has been budgeted and approved by the Board;
- xiv. With regards to Climate Risk Management:
 - Assist the Board in fulfilling its fiduciary responsibilities, particularly in establishing controls to manage sustainability and climate risk;
 - Review and recommend the Group's sustainability and climate risk management strategies, frameworks and policies to the Board for approval;
 - Review and recommend the Group's sustainability and climate risk metrics, targets and key performance indicators to the Board for approval;
 - Oversee the Group's sustainability and climate risk management and ensure the risk management process is in place and functioning; and
 - Have oversight of the sustainability and climate risk management initiatives of the Group;
- xv. To undertake any other activities as authorised by the Board.

6.3 With regards to Compliance specifically, the Committee is responsible for the following:

- i. Review management reporting to the Board on compliance risk issues and any material incidences of non-compliance (for example, failures that may attract a significant risk of legal or regulatory sanction) to ensure such issues are resolved efficiently and expeditiously;
- ii. Review and recommend to Board for approval on all engagement with external expertise to undertake compliance assessment in specific areas;



MBSB BERHAD

(formerly known as Malaysia Building Society Berhad)

Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

- iii. Review and recommend the AML / CFT Risk Acceptance Criteria to the Board for approval;
- iv. Endorse the outcomes of the AML / CFT annual risk assessment; and
- v. With regards to responses to CRR or thematic reviews by BNM / regulators:
 - To take note of the first-time responses, action plans and timelines to fully address issues raised by BNM / regulators; and
 - To take note of the submission of periodic updates on the action plans undertaken to address the CRR issues to BNM.

6.4 With regards to oversight roles on the activities of Integrity and Governance Unit (IGU) and issues on bribery, corruption and abuse of power, the Committee is responsible for the following:

- i. Review and recommend policies established on whistleblowing, integrity and code of ethics, to the Group Board for approval;
- ii. Assist the Board to oversee and manage the risks of bribery, corruption and abuse of power as part of the enterprise risk management within the Group, via quarterly reports from IGU;
- iii. Monitor the activities and performance of the Head of IGU based on its core functions;
- iv. Attend related training on ethics, integrity, anti-bribery, corruption and abuse of power once in two (2) years; and
- v. Approve the results of the yearly Corruption Risk Assessment (CRA).

6.5 With regards to Recovery Plan (“RP”), the Committee is responsible for the following:

- i. Assess and endorse the RP and any changes in the RP arising from the annual review;



MBSB BERHAD

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Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

- ii. Ensure the RP is integrated with existing risk appetite and risk management frameworks and provide constructive challenge to the conclusions, reasoning analysis and assumptions underpinning the development of the RP
- iii. Ensure sufficient resources and adequate representation across the significant entities and core organization functions are allocated to support the development and maintenance of the RP;
- iv. Review Management's assessment of the distressed situation and deliberate pre-recovery action plans recommended by Management, where required.
- v. Endorse highlights of early warning triggers and action plans
- vi. Endorse additional action plans for Group BOD's endorsement, where required, following management's update on the progress of action plans and effectiveness of actions;
- vii. Review and endorse activation of the recovery phase and implementation of recovery options to normalize the recovery indicators;
- viii. Endorse communication with BNM on recovery plan activation:
- ix. Endorse follow-on steps following GMRCC's update on the progress of action plans and effectiveness of actions; and
- x. Endorse movement back into Early Warning / BAU phase when pre-recovery indicators have improved.

7.0 RIGHTS OF THE COMMITTEE

7.1 The Committee shall:-

- i. Have the resources which are required to perform its duties;
- ii. Have full and unrestricted access to any information pertaining to MBSB Group;



MBSB BERHAD

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Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

- iii. Have direct communication channels with external consultants, risk managers and where applicable, the internal auditors;
- iv. Be able to obtain independent professional or other advice. All expenses incurred in relation to the abovesaid shall be borne by the Company and approved by the Committee and implemented through the Company Secretary; and
- v. Have the authority to make any inquiries on any matter within its terms of reference and where applicable, to request the assistance of the Internal Auditor to carry out investigations.

8.0 EVALUATION OF THE GBRCC

- 8.1 An evaluation will be carried out annually to assess the performance and effectiveness of the Committee in line with the need for Board effectiveness evaluation; and
- 8.2 Where necessary, an external consultant will be engaged to assist in and to lend objectivity to the annual assessment.

9.0 QUORUM

- 9.1 The quorum for a meeting shall be majority of the committee members whereby the members present must be Independent Non-Executive Directors and the quorum must be maintained throughout the meeting.
- 9.2 Members/invitees may participate in any Committee meeting through telephone, live video or any other form of instantaneous communications equipment. A member so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.
- 9.3 The attendance sheet may be also circulated in hard copy or electronic form signed physically or digitally signed for record.



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10.0 MEETINGS

10.1 Frequency of Meetings

- i. The Committee meets every quarter or more frequently either face to face (physically) or accessed online (video conferencing) basis, as circumstances may dictate. In the event face to face or accessed online meeting is not possible, a resolution by circulation can also be passed for urgent issues; and

- iii. Apart from the scheduled meetings, the Chairman of the Committee may call for additional meetings whenever necessary or shall call a meeting if requested to do so by the Board, any Committee member or on the advice of the Group Chief Executive Officer (GCEO), GCRO or the GCCO.



MBSB BERHAD

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Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

10.2 Invitees

- i. As part of its duty to foster communication, the GCEO or other C-Suites may be invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities.
- ii. While the Committee may invite any person to be in attendance to assist it in its deliberations, the Committee should also ensure that the Members meet exclusively when necessary.

10.3 Decision Making

- i. The Chairman and the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.
- ii. The Chairman and the Committee should engage on continuous basis with Senior Management in order to be kept informed of matters affecting the Group.
- iii. Questions arising at any Meeting of the Committee shall be decided by a majority of votes by members present at said Meeting.
- iv. The Chairman shall not have a casting vote. In the event of an equality of votes, the Chairman shall refer the matter to the Board for its ultimate decision.

Note: The position of GCEO in this context shall include Acting GCEO, whichever is applicable at the material time.



MBSB BERHAD

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Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

11.0 CONFIRMATION OF MEETING

11.1 Confirmation of each meeting is by way of minutes of meeting.

11.2 The Committee, through the Company Secretary, is to keep proper records of all decisions/recommendations made for each Meeting, in which case minutes of each Meeting must be confirmed by the Chairman and retained by the Committee's Recording Secretary as the Committee's records. A copy of the confirmed minutes of Meeting of the Committee must be presented to the Board for the latter's notation.

12.0 CIRCULAR RESOLUTION

12.1 A Circular Resolution in writing circulated in hard copy or electronic form signed physically or digitally and approved by all Members of the Committee shall be effective for all purposes as a resolution of the Committee passed at a Meeting duly convened and constituted.

12.2 All approvals obtained via Circular Resolutions must be recorded and notified at the subsequent Meeting by the Recording Secretary.

13.0 CONFIDENTIALITY

13.1 No member of the Committee or any officer, employee or any person attending any meeting of the Committee shall disclose any information which has been obtained by him / her in the course of his / her duties or in the course of the Committee meeting and which is not made public except:

- i. For any purposes of any civil or criminal proceedings under any written law;
- ii. For any purposes as required by any authority with regulatory powers over the Group which includes but not limited to Bank Negara Malaysia, Securities Commission and Companies Commission Malaysia;



MBSB BERHAD

(formerly known as Malaysia Building Society Berhad)

Terms of Reference of the Group Board Risk and Compliance Committee (GBRCC)

Effective date: 19 December 2024

- iii. In respect of any information available to the public; or
- iv. Where otherwise authorised by the Board or the GCEO (or in his / her absence, the designated person authorized to hold the post or act on his / her behalf).

13.2 In relation to the confidentiality of information, the members must not misuse information obtained in the course of duties to derive personal gains or for any purpose other than that intended by the Group.

14.0 CONFLICT OF INTEREST

- 14.1 Members must disclose all circumstances in which there may be a conflict of interest in any issues deliberated during meetings.
- 14.2 The interested member shall abstain from participating directly or indirectly in deliberating and decision making process involving issues in which he / she has an interest.

15.0 REVIEW OF TERMS AND REFERENCES

- 15.1 This Terms of Reference is required to be reviewed every three (3) years or as and when required.
- 15.2 The amendment to this Terms of Reference is subject to recommendation by GBRCC and approval by Board.

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