



MALAYSIA BUILDING SOCIETY BERHAD

Terms of Reference of the Risk Management Committee (RMC)

1.0 COMPOSITION OF THE COMMITTEE

- 1.1 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;
- 1.2 No alternate directors shall be appointed as a member of the Committee;
- 1.3 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;
- 1.4 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;
- 1.5 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 1.1 above being complied;
- 1.6 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
- 1.7 The Chairman of the Committee is not the Chairman of the Board.

2.0 OBJECTIVE

- 2.1 The duties of the Board is to be aware and ensure the proper oversight of the management of all risks covering credit risk, market risk, liquidity risk, IT risk, operational risk management and compliance risk as well as legal and other risks.
- 2.2 The primary objectives of the Committee are to:-
 - i. Assist the Board in fulfilling its fiduciary responsibilities particularly in management controls;



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- ii. Oversee Senior Management's activities in managing credit, market, liquidity, IT, operational, compliance, legal 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; and
- iv. Undertake additional duties as may be deemed appropriate and necessary to assist the Board.

3.0 RIGHTS

3.1 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;
- iii. Have direct communication channels with external auditors, internal auditors and risk managers;
- 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 to instruct the Internal Auditor to carry out investigations.



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4.0 DUTIES AND RESPONSIBILITIES

4.1 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 and recommend risk and compliance policies for Board's approval, including AML/CFT related policies, to facilitate the right risk and compliance culture in the day-to-day business and operational activities;
- iii. Review existing resources for risk management and compliance functions to ensure sufficient staff with competencies and experience in discharging their duties;
- iv. Evaluate the effectiveness of the Group's risk management and compliance functions and overall management of risk and compliance risk;
- v. Review and recommend the Risk Management and Compliance Annual Plans and AML/CFT annual risk assessment to the Board for approval;
- vi. Ensure that the Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) are provided with direct and unimpeded access to the Board;
- vii. Ensure risk management and compliance functions and the CRO and CCO are provided with appropriate standing, authority and independence;
- viii. Ensure infrastructure, resources and systems and other capabilities are in place for risk management and compliance functions and are adequate to maintain a satisfactory level of risk management and compliance disciplines; and
- ix. 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, Risk Management and Compliance Division must have clear authority to engage with any officers and obtain access to relevant information for purposes of discharging its responsibilities.



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

- i. Review operational policies of MBSB and to formulate new ones where appropriate to improve efficiency, cost effectiveness and control over the resources;
- ii. Review, monitor, mitigate and report the significant risks as identified by the Risk Management Division and their impact on the operations;
- iii. Provide feedback and comments on the risk appetite / tolerance of MBSB and to 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 Company 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 Company so that risk management processes and controls are applied and embedded in the day-to-day business and operational activities;
- viii. Review and recommend risk policies, methodologies and strategies for measuring and managing risks arising from the Company'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 management's periodic reports on risk exposure, risk portfolio composition and risk management activities;



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- xi. Review contingency plans for dealing with various extreme internal/external events and disasters;
- xii. Support the Board in meeting the expectations on risk management as set out in BNM's policy document on Risk Governance;
- xiii. Review and deliberate on Composite Risk Rating (CRR) issues of MBSB Bank, raised by BNM prior to reporting to Board;
- xiv. Receive Asset Liability Committee (ALCO) minutes for notation; and
- xix. To undertake any other activities as authorised by the Board.

4.3 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 resolve efficiently and expeditiously; and
- ii. Review and recommend to Board for approval on all engagement with external expertise to undertake compliance assessment in specific areas.

4.4 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. Assist the Board to oversee and manage the risks of bribery, corruption and abuse of power as part of the enterprise risk management within MBSB;
- ii. Monitor the activities and performance of the Head of IGU based on its core functions; and
- iii. The Committee shall attend related training on ethics, integrity, anti-bribery, corruption and abuse of power once in two (2) years.



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4.5 Meeting

- 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;
- ii. 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. As part of its duty to foster communication, the Chief Executive Officer (CEO), the Management Team, Chief Internal Auditor (CIA) and Chief Compliance Officer (CCO) or any other person(s) who may be requested by the Committee are invited to attend the meetings for the purpose of briefing the Committee on the activities involving their areas of responsibilities;
- 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, or any Committee member or can be based on the advice of the Chief Executive Officer, the Chief Risk Officer or the Chief Compliance Officer.
- iv. 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;
- v. 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.
- vi. The Chairman and the Committee should engage on continuous basis with Senior Management in order to be kept informed of matters affecting the Company and the Group; and
- vii. The CRO shall be the Secretary of the Committee and the Head of Company Secretarial Department shall be the Recording Secretary to the Committee.



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Note: The position of CEO in this context shall include Acting CEO. For clarification, the position of Deputy CEO is not a permanent position and was specifically established only for succession planning purposes.

4.6 Modus Operandi

- i. 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.

4.7 Resolution of the Committee

- i. Questions arising at any Meeting of the Committee shall be decided by a majority of votes by members present at said Meeting.
- ii. Circular Resolution in Writing

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

*** End ***