



TERMS OF REFERENCE OF

THE BOARD RISK MANAGEMENT COMMITTEE ("BRMC" or "the Committee") OF BANK PERTANIAN MALAYSIA BERHAD ("Agrobank" or "the Bank")

- Membership : At least three (3) directors¹, a majority of whom, including the Chairman should be independent.²
- In Attendance : President/Chief Executive Officer
Chief Risk Officer
Chairman is given discretion to invite any relevant persons and when required.
- In the event a person is appointed as "Acting" or "Covering" for a particular position, he/she shall attend the meeting in his/her capacity of that position.
- Secretary : The Company Secretary or his/her nominee or any person designated by the Committee.
- Quorum : At least three (3) of BRMC members.³
- Frequency of Meeting : The BRMC meeting shall be held at a minimum of 10 meetings a year and for such number of time(s) as the Committee requires or deemed necessary to fulfil the Committee's responsibilities.

¹ Directors may refer to Independent Non-Executive Directors and Non-Independent Non-Executive Directors

² Para 12.3 BNM Policy Document on Corporate Governance ("BNM CG Guidelines")

³ Para 12.3 BNM Policy Document on Corporate Governance ("BNM CG Guidelines")

1.0 OBJECTIVE

The objective of the Committee is to assist and support Board of Directors ("Board") of Agrobank in carry out its functions on the following matters: -

- i. To support the Board in meeting the expectations on risk management in the policy document on *Risk Governance*;⁴
- ii. To assist the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration, risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.

2.0 AUTHORITY

The Committee is authorised by the Board to act within its TOR: -

- i. To review and recommend to Board on matters within its primary duties and responsibilities within these terms of reference or such limits as may be determined by the Board from time to time;
- ii. To obtain the resources which it requires including but not limited to obtaining an independent professional advice and expert advice, both internal and external, and to have full and unrestricted access to information to enable the Committee to fulfil its objectives.
- iii. To have a direct communication and on continuous basis with Senior Management in order to be kept informed of matters affecting the Bank.

3.0 ROLES AND RESPONSIBILITIES

Risk Management

- i. To review Management's activities in managing principal risks such as (but are not limited to): -
 - a. capital adequacy risk
 - b. credit risk
 - c. market risk
 - d. liquidity risk
 - e. operational risk
 - f. compliance and governance risks
 - g. information technology and cyber security risks
 - h. environmental, social and governance (ESG) related risk.

⁴ Appendix 1 BNM Guidelines

- ii. To review and recommend new or existing policies and frameworks of the Banks including appropriate risk frameworks, risk management policies, procedures, and process in key risk areas for Board's approval.⁵
- iii. To review the impact of risk on internal capital adequacy assessment process ("ICAAP"), levels of regulatory and internal capital for the Bank against its risk profile and to make necessary recommendation if deemed necessary to Board for approval.⁶
- iv. To review and recommend the capital management plan, its mandate, standards and policies, capital targets, capital raising and repayment transactions for Board's approval.
- v. To review the management's implementation of an appropriate risk strategy and obtaining assurance that organisational units are operating within the parameters of the institution's appetite for specific types of risk.⁷
- vi. To review the impact on Management's actions in terms of issuance of new product lines, business expansions and the overall adequacy of capital and liquidity buffers and its risk for the Bank.⁸
- vii. To review and assess the adequacy of risk management of the Bank's policies and frameworks in identifying, measuring, monitoring and controlling the risks and to the extent that they are operating efficiently, for recommendation to Board for approval.⁹
- viii. To review Management's periodic reports on risk exposures, risk portfolio composition and risk management activities and ensuring Management takes the necessary steps to identify, measure, monitor and control the risks.
- ix. To review the Bank's risk appetite recommended by the Management Risk Committee, including risk tolerance and risk limits as well as policies that identify clear lines of authority and responsibility for managing risk exposures, for Board's approval.¹⁰
- x. To review the structure, processes and information as to ensure the interrelated risks are being monitored and evaluated via integrated approach and that the risk appetite and strategy of the Bank are being aligned.
- xi. To ensure effective risk management function with sufficient authority, stature, independence resources and access to the Board together with its risk management processes and systems are able to identify, measures, monitors, controls and reports the Bank's overall risk exposures encompassing risks at firm-

⁵ Para 18 BNM Policy Document on Risk Governance

⁶ Para 10 BNM Policy Document on Risk Governance

⁷ Para 7 BNM Policy Document on Risk Governance

⁸ Para 10 BNM Policy Document on Risk Governance

⁹ Para 45 and 57 BNM Policy Document on Risk Governance

¹⁰ Para 10 BNM Policy Document on Risk Governance

wide, group-wide, portfolio and business-line level, as well as both on- and off-balance sheet exposures.¹¹

- xii. To meet with Board Audit Committee of the Bank on periodic basis as to ensure effective exchange of information and enable effective coverage of all risks, including emerging risk issues that could have an impact on the Bank's risk appetite and business plans.¹²
- xiii. To review on appointment of external consultants and advisors for independent third-party views in relations to risk implications that might have significant policy decisions, as and when required, for Board's approval.¹³
- xiv. To review and recommend the new products and services and ensuring compliance with prevailing BNM guidelines or other regulatory bodies, for Board's approval.
- xv. To review and provide oversight on the management of credit risk of the Bank as to ensure the Bank has a sound credit culture and policies on credit risk management and are being effectively implemented including having the necessary tools for monitoring credit risk.¹⁴
- xvi. To review the credit risk management policies of the Bank and to ensure that they are consistent with the Bank's credit standards and changes in the Bank's resources, overall financial strength and business conditions.¹⁵
- xvii. To review and provide oversight on technology risk appetite which is aligned with the Bank's risk appetite statement and recommend the corresponding risk tolerances for technology-related events and ensure key performance indicators and forward-looking risk indicators are in place in monitoring the Bank's technology risk against its approved risk tolerance.¹⁶
- xviii. To review the regular updates on the status of technology risk indicators together with sufficiently detailed information on key technology risks and critical technology operations to facilitate strategic decision-making.¹⁷
- xix. To review and provide oversight on the climate-related risks to safeguard the Bank's resilience against the adverse impacts of climate change and to identify the relevant responsibilities for managing climate-related risks and assign these responsibilities throughout the organisation structure.¹⁸

¹¹ Principle 7 and Para 43 BNM Policy Document on Risk Governance

¹² Para 20 BNM Policy Document on Risk Governance

¹³ Para 22 BNM Policy Document on Risk Governance

¹⁴ Para 6.4 (i) BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions

¹⁵ Para 6.4 (ii) BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions

¹⁶ Para 8.1 BNM Policy Document Risk Management in Technology

¹⁷ Para 8.1 BNM Policy Document Risk Management in Technology

¹⁸ Chapter 8: Governance: Principle 1 BNM Policy Document Climate Risk Management and Scenario Analysis

- xx. To review and recommend the mitigation plans and appetite statement for climate-related risks and its impact of physical risk, transition risk and liability risk as recommended by the Management Risk Committee, for Board's approval.
- xxi. To provide oversight on implementation of the Business Continuation Management ("BCM") framework that is integrated with the overall risk management framework of the Bank by ensuring the execution of the following: ⁻¹⁹
 - a. Establishment of a clear risk appetite and risk management strategy governing the BCM framework;
 - b. Review the BCM framework of the Bank and ensure subsequent reviews are conducted at least annually for Board's approval;
 - c. Establishment a sound internal governance structure that provides effective oversight over the implementation of the BCM framework, consistent with the overall business strategy and risk appetite of the financial institution;
 - d. ensure sufficient management capacity and resources, including budget and staff, are allocated to support an effective BCM framework; and
 - e. instil a strong organisational culture that embeds the BCM framework in the strategy and business operations of the financial institution.
- xxii. To review and recommend the appointment, evaluate performance and removal of the Chief Risk Officer and Chief Compliance Officer, for Board's approval.
- xxiii. To accomplish the above roles and responsibilities, and any other specific or adhoc matters that deemed necessary, the BRMC may seek an independent third-party expert's views/advise on the matters determined by the Committee or upon directive from the Board.

Compliance

- i. To review and recommend the implementation of the compliance annual plan and strategy and to define compliance objectives across the business lines, for Board's approval.
- ii. To review and recommend the compliance policies and frameworks, including but not limited to the relevant policies pertaining to prevention of money laundering, terrorism financing, bribery and corruption, for Board's approval.
- iii. To ensure that the effectiveness of the Bank's overall management of compliance risk is evaluated at least annually.

¹⁹ Para 8.1 and 8.2 BNM Policy Document Business Continuity Management

- iv. To provide adequate discussion and priority to deliberate compliance issues ensuring that such issues are resolved promptly and effectively.
- v. To review, assess and recommend the corrective measures to address compliance risk concerns as highlighted by the Compliance Division and regulatory authorities, where relevant, for Board's approval.
- vi. To ensure appropriate systems are in place to monitor the Bank's compliance risk and recommend improvements to maintain its effectiveness.
- vii. To ensure appropriate lines of reporting have been established for timely escalation of compliance issues to the BRMC and the Board of Directors.
- viii. To provide review on the periodic reports presented on the assessment of Bank's compliance status, risk exposures and updates on regulatory trends and requirements.
- ix. To maintain accountability and oversight for establishing Anti Money Laundering/ Counter Financing Terrorism ("AML/CFT") policies and minimum standards;²⁰
- x. To review policies regarding AML/CFT measures within the Bank, including those required for risk assessment, mitigation and profiling, CDD, record keeping, on-going due diligence, suspicious transaction report and combating the financing of terrorism.²¹
- xi. To review the AML/CFT policies on periodic basis, in line with changes and developments in the Bank's products and services, technology as well as trends in Money Laundering/Terrorism Financing.²²
- xii. To ensure the Compliance Division and Chief Compliance Officer have sufficient stature, authority and independence to carry out their duties effectively.
- xiii. To review and recommend the appointment, evaluate performance and removal of the Chief Compliance Officer, for Board's approval.

²⁰ Para 11.2.4 (a) BNM Policy Document Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions ("AML/CFT and TFS for Fis")

²¹ Para 11.2.4 (b) BNM Policy Document AML/CFT and TFS for FIs

²² Para 11.2.4 (c) BNM Policy Document AML/CFT and TFS for FIs