

The Board of Directors of Bank Pembangunan Malaysia Berhad is committed to uphold good corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles of Corporate Governance and Bank Negara Malaysia (BNM)'s Guidelines on Corporate Governance for Development Financial Institutions to protect and enhance shareholder's value and the performance of the Group.

## **BOARD OF DIRECTORS**

### **Board Composition and Balance**

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields and their experience accumulated while serving both in private and government sectors, brings to the Board the necessary range of expertise and experience required by the Board to effectively perform its functions. A brief background of each Director is presented on pages 14 to 18 of the Annual Report.

The Board currently has nine (9) members with one (1) Non-Executive Chairman, one (1) Executive Director who is the Bank's President/Group Managing Director, one (1) Non-Independent Non-Executive Director and six (6) Independent Non-Executive Directors. All Independent Directors are persons of calibre and credibility to exercise independent judgement to the Board. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regard to the long-term objectives of the Bank.

The appointment/re-appointment of Directors are governed by BNM Guidelines on Corporate Governance for Development Financial Institutions and the Bank's Articles of Association. The Nominating Committee (NC) reviews and assesses the appointments/re-appointments of Directors. NC will refer to the results of the individual assessments conducted via Individual Director and Peer Assessment for re-appointment of Directors. The recommendation of NC will be presented to the Board and thereafter to Ministry of Finance (MOF) for approval. Upon MOF approval, the application of the appointment/re-appointment will be submitted to BNM for verification.

The Board had also implemented annual assessment of the effectiveness of the Board as a whole and Board Committees. The feedback and suggestions from the Board will be collated and summarised for deliberation/information of NC and thereafter to the Board.

### **Duties and Responsibilities**

The Board is responsible to ensure the effectiveness of the Bank's operations. This includes the responsibility for determining the Bank's overall strategic direction, approval of performance targets, monitoring of management achievements, providing overall policy guidance and ensuring that policies and procedures for internal control system and succession planning are in place.

There is a schedule of matters reserved specifically for Board's decision, including approval of corporate plans and annual budgets, recommendation of dividends, acquisitions and disposals of undertakings and properties of substantial value, major investments and financial decisions, changes to the management and control structure within the Group, including policies and delegated authority limits.

Where a potential conflict of interest arises, the Director concerned needs to declare his/her interest and abstain from the deliberation and decision-making process.

### Board Meeting And Supply Of Information

The Board of Directors meets at least once a month to discuss and monitor amongst others, the overall conduct and performance of the Bank's business, including matters relating to financial, policies, strategies, performance and resources. In between Board meetings, approvals on urgent or important business issues requiring the sanction of the Board are sought by convening special board meetings or by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting.

The Board and Board Committees meetings are planned in advance prior to the commencement of a new year and the schedule is circulated to the Directors in advance to enable them to plan ahead. The agenda for each Board meeting and papers relating to the matters to be deliberated at the meeting are forwarded to all Directors for perusal prior to the date of the Board meeting.

The Board also peruses the decisions deliberated by Board Committees through minutes of these committees. The Chairman of the Board Committees is responsible to inform the Directors at Board meetings of any salient matters noted by the Committees and which require the Board's notice or direction. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of Companies Act, 1965.

All Directors have direct access to the services of the Company Secretary and to the Senior Management. Independent professional advice is also made available to Directors in furtherance of their duties in the event such services are required.

During the financial year ended 31 December 2011, the Board met 12 times. The record of attendance by Directors at the Board Meetings for 2011 are as follows:

NAME OF DIRECTOR	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dr. Abdul Samad bin Haji Alias Non-Executive Chairman <i>(term ended 1 August 2011)</i>	7/7*
Dato' Mohammed bin Haji Che Hussein Non-Executive Chairman <i>(appointed on 15 September 2011)</i>	4/4*
Dato' Mohd Zafer bin Mohd Hashim President/Group Managing Director	11/12
Puan Siti Zauyah binti Md Desa Non-Independent Non-Executive Director	12/12
Tuan Haji Zainul Rahim bin Mohd Zain Independent Non-Executive Director	12/12
Tan Sri Faizah binti Mohd Tahir Independent Non-Executive Director	11/12
Dato' Dr Syed Jaafar bin Syed Aznan Independent Non-Executive Director	11/12
Datuk Idris bin Abdullah Independent Non-Executive Director	12/12
Tuan Haji Rosli bin Abdullah Independent Non-Executive Director <i>(appointed on 3 January 2011)</i>	11/12
Tuan Haji Abdul Aziz bin Ishak Independent Non-Executive Director <i>(appointed on 29 September 2011)</i>	3/3*

\* Reflects the number of meetings attended during the time the Director held office

### Training And Development Of Directors

Newly appointed Directors are required to attend an induction programme organized by the Management to brief on the Bank's history, operations and financial performance to enable them to have first hand understanding of the Bank's operations. At the induction programme, Heads of Functions/Chief Executive Officer of the main subsidiaries will brief the new Directors on their areas of responsibilities to provide the Directors with background knowledge of the Bank as well as a platform to establish initial interaction with the key senior officers.

The members of the Board keep abreast with developments in the banking industry by attending conferences and seminars held in Malaysia and abroad for their continuing education and skills improvement.

The Bank also encourages Directors to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

### D. COMMITTEES

There are five Board Committees established to assist the Board in discharging of its duties and responsibilities, namely the Credit Committee of the Board, Audit & Examination Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.

### CREDIT COMMITTEE OF THE BOARD

#### 1. Objective

The primary objective of the Credit Committee of the Board (CCB) is to perform supervisory and oversight role of loan approval and to ensure adequate risk management processes are in place.

### 2. Functions and Responsibilities

- Veto power to challenge, reject loan and modify the terms of all loans related financing facilities.
- To approve "policy loans" and loans which are required by statute to be approved by the Board, provided that the initial filter of approval is conducted by the full-time executive committee.
- Recommend, verify and endorse all cases of write-offs to the Board of Directors for final approval.
- Have full authority to seek/obtain any information it requires from any employee of the Bank and to commission any investigations, reports or surveys, which it deems necessary.
- Appoint or obtain any outside legal or other professional consultation which it deems necessary, at the Bank's expense.
- To approve and endorse any recommendation from the approving authority in cases of ambiguity and/or enhancement in credit risk.

### 3. Committee Meeting and Attendance

Based on the Term of Reference of CCB, the meeting is to be held once a fortnight or when necessary. During the financial year 2011 the CCB held 15 meetings. The members of the Committee and their records of attendance are as follow:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dr. Abdul Samad bin Hj Alias, Chairman <i>(term ended 1 August 2011)</i>	7/7*
Dato' Mohammed bin Haji Che Hussein, Chairman <i>(appointed on 29 September 2011)</i>	5/5*
Puan Siti Zauyah binti Md Desa	13/15
Tuan Haji Zainul Rahim bin Mohd Zain	13/15
Tan Sri Faizah binti Mohd Tahir <i>(appointed on 1 January 2011)</i>	14/15
Tuan Haji Rosli bin Abdullah <i>(appointed on 30 November 2011)</i>	1/1*
Tuan Haji Abdul Aziz bin Ishak <i>(appointed on 30 November 2011)</i>	0/1*

\* Reflects the number of meetings attended during the time the Director held office

## AUDIT & EXAMINATION COMMITTEE

### 1. Objective

The objective of the Audit & Examination Committee (AEC) is to review the financial condition of the Bank and its subsidiaries, its internal controls, performance and findings of the Internal Auditors, and to recommend appropriate remedial action regularly.

### 2. Functions and Responsibilities

The functions and responsibilities of the AEC are as follows:

- Recommend to the Board each year on the appointment/re-appointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors.
- Review with External Auditors:
  - (a) Their audit plan.
  - (b) Their evaluation of the system of internal control.
  - (c) Their audit report.
  - (d) Their management letter and management's response.
  - (e) The assistance given by the management and staff to the External Auditors.
- Carry out the following with regards to the internal audit function:
  - (a) Review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
  - (b) Review and approve internal audit plan, programme and processes.
  - (c) Review audit reports and consider adequacy of Management's actions taken on audit findings or recommendations.
  - (d) Recommend to the Nominating Committee of the Board on the appointment and termination of the Head of Internal Audit.
- (e) Review any appraisal or assessment of members of the internal audit function as well as decide on their remuneration package.
- (f) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
- (g) Review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Board.
- Receive and consider reports relating to the perpetration and prevention of fraud.
- Review the Bank's compliance with the related Government's regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures.
- Review the quarterly result and the year-end financial statements prior to their submission to the Board for its approval. The review of the year-end financial statement, whereby the presentation to the AEC will be conducted by the External Auditors, focuses particularly on:
  - (a) Any major changes in the accounting policy or its implementation.
  - (b) Adequacy of allowance against contingencies, bad and doubtful debts.
  - (c) Significant and unusual events.
  - (d) Compliance with accounting standards and other legal requirements.

- Ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of annual accounts.
- Discuss any problem and reservations that may arise from the interim and final audits, as well as any matter which the External Auditors may wish to discuss in the absence of management where necessary.
- Review any related party transactions and conflict of interest situation that may arise in the Bank or within the Banking group including any transaction, procedure or conduct that raises questions of management integrity.
- Preparation of an AEC report at the end of each financial year, which will be published in the Bank's Annual Report.
- Review and endorse the status and progress of Management's responses and corrective measures on issues raised in the BNM Examination Report, before it is tabled to the Board for approval.
- The AEC shall also report on the following to the Board to enable the Board in preparing an AEC Report for the Bank's Annual Report:
  - a) The composition of the AEC, including name, designation and directorship of the members and whether the Director is independent or otherwise.
  - b) The terms of reference of AEC.
  - c) The number of AEC meetings held in the financial year and details of attendance of each member.
  - d) A summary of the activities of the AEC in the discharge of its functions and duties for the financial year.
  - e) A summary of the activities of the Internal Audit Department.
- The AEC shall update the Board on the issues and concerns discussed during their meetings including those raised by External Auditors and where appropriate, make the necessary recommendation to the Board.

### 3. Committee Meeting and Attendance

Based on the Term of Reference of AEC, the meeting is to be held at least 4 times a year. During the financial year 2011 the AEC held nine (9) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Rosli bin Abdullah, Chairman <i>(appointed on 3 January 2011)</i>	9/9
Tuan Haji Zainul Rahim bin Mohd Zain <i>(resigned on 30 November 2011)</i>	7/8*
Tan Sri Faizah binti Mohd Tahir	9/9
Dato' Dr Syed Jaafar bin Syed Aznan	8/9
Datuk Idris Abdullah <i>(appointed on 1 January 2011)</i>	7/9
Tuan Haji Abdul Aziz bin Ishak <i>(appointed on 30 November 2011)</i>	0/1*

\* Reflects the number of meetings attended during the time the Director held office

## NOMINATING COMMITTEE

### 1. Objective

The objective of the Nominating Committee (NC) is to establish a documented, formal and transparent procedure for the appointment of Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above) and to assess the effectiveness of individual Directors, the Board as a whole and the various committees of the Board, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above).

### 2. Functions and Responsibilities

The functions and responsibilities of the NC are as follows:

- Establishing minimum requirements for the Board and the President/Group Managing Director to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews.
- Recommending and assessing the nominees for directorship, the Directors to fill board committees, as well as nominees for the President/Group Managing Director position. This includes assessing Directors and the President/Group Managing Director proposed for reappointment, before an application for verification is submitted to Bank Negara Malaysia.
- Establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the President/Group Managing Director.
- Recommending to the Board on removal of a President/Group Managing Director if he is ineffective, errant or negligent in discharging his responsibilities.
- Ensuring that all Directors undergo appropriate induction programmes and received continuous training.
- Overseeing appointment and management succession planning of key senior executives (Vice President who is also a Head of Function and above), and performance evaluation of Senior Vice President, Chief Operating Officer and President/Group Managing Director and recommending to the Board the removal of key Senior Executives (Vice President who is also a Head of Function and above) if they are ineffective, errant and negligent in discharging their responsibilities.

The President/Group Managing Director be given the authority to assess and evaluate candidates for new appointments, negotiate and determine the salary, benefits and terms and conditions of service for the positions of Vice President who is also a Head of Function and above and thereafter it would be tabled to the Nominating Committee for approval and thereafter to the Board Directors for notation.

That the performance evaluation of Vice President (Head of Function) is delegated to the President/Group Managing Director.

- Propose the appointment of Board members to the Board of Directors of subsidiary companies.

### 3. Committee Meetings and Attendance

Based on the Term of Reference of NC, the meeting is to be held at least once a year. During the financial year 2011, the NC held seven (7) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Dato' Dr Syed Jaafar bin Syed Aznan, Chairman	6/7
Puan Siti Zauyah binti Md Desa	7/7
Tuan Haji Zainul Rahim bin Mohd Zain	7/7
Tan Sri Faizah binti Mohd Tahir	7/7
Tuan Haji Rosli bin Abdullah (appointed on 29 March 2011)	5/5*

\* Reflects the number of meetings attended during the time the Director held office

## REMUNERATION COMMITTEE

### 1. Objective

The objective of the Remuneration Committee (RC) is to provide a formal and transparent procedure for developing a remuneration policy for Directors, President/ Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

### 2. Functions and Responsibilities

The functions and responsibilities of the RC are as follows:

- Recommending a framework of remuneration for Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above). The remuneration policy should:
  - (a) Be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
  - (b) Reflect the experience and level of responsibility borne by individual Directors, the President/ Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above);
  - (c) Be sufficient to attract and retain Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above) of caliber needed to manage the Bank successfully; and
  - d) Be balanced against the need to ensure that the funds of the Bank are not used to subsidise excessive remuneration packages.
- Recommending specific remuneration packages for Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above). The remuneration packages should:
  - (a) Be based on an objective consideration and approved by the full Board;
  - (b) Take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, President/Group Managing Director or key Senior Executives (Vice President who is also a Head of Function and above) concerned;
  - (c) Not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  - (d) Be competitive and is consistent with the Bank's culture, objective and strategy.
- Endorsing any changes deemed necessary to the schemes, terms of services and new terms for executives and staff of BPMB before submission to the Board of Directors for final approval.

### 3. Committee Meetings and Attendance

Based on the Term of Reference of RC, the meeting is to be held at least once a year. During the financial year 2011, the RC held seven (7) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Faizah binti Mohd Tahir, Chairman <i>(appointed on 1 January 2011)</i>	7/7
Puan Siti Zauyah binti Mohd Desa	7/7
Dato' Dr Syed Jaafar bin Syed Aznan	7/7
Tuan Haji Zainul Rahim bin Mohd Zain <i>(appointed on 1 January 2011)</i>	7/7
Tuan Haji Rosli bin Abdullah <i>(appointed on 29 March 2011)</i>	6/6*

\* Reflects the number of meetings attended during the time the Director held office.

## RISK MANAGEMENT COMMITTEE

### 1. Objective

The objective of the Risk Management Committee (RMC) is to oversee the senior management's activities in managing the key areas of the DFI and to ensure that the risk management process is in place and functioning effectively.

### 2. Functions and Responsibilities

The functions and responsibilities of the RMC are as follows:

- Provide oversight and strategic direction for the management of all risks in BPMB.
- Review and endorse policies for the management of the various risks for approval by Board of Directors.
- Review and approve objectives, functions and strategies for Credit Risk, Operational Risk and Market Risk Functions.
- Ensure structures and procedures for risk management are in place and they are reflective of BPMB risk tolerance.

- Review and endorse credit/lending policies encompassing all products and business for approval by Board of Directors.
- Review risk limits and concentration.
- Oversee the implementation of risk related strategic initiatives contained in its corporate plan.
- Review and address the overall risk profile of the Bank and monitor the risk portfolio composition of significant activities of the Bank.
- Review and endorse contingency plans for critical and worst case scenarios and address related issues.
- Review reports of credit review process, asset quality and ensure prompt corrective action.
- Promoting an integrated approach to evaluate and monitor interrelated risks.

### 3. Committee Meetings and Attendance

Based on the Term of Reference of RMC, the meeting is held once in every two months. During the financial year 2011, the RMC held six (6) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Zainul Rahim bin Mohd Zain, Chairman	6/6
Puan Siti Zauyah Md Desa	6/6
Dato' Dr Syed Jaafar Syed Aznan <i>(appointed on 1 January 2011)</i>	5/6