BANK PEMBANGUNAN MALAYSIA BERHAD
Registration No.: 197301003074 (16562-K)

BOARD OF DIRECTORS
TERMS OF REFERENCE

1. Objective

The Board of Directors ("Board") is the highest authority in Bank Pembangunan Malaysia Berhad ("BPMB").

The Board plays a critical role in ensuring sound and prudent policies and practices in the BPMB and its subsidiaries ("BPMB Group"). It provides an effective check and balance mechanism in the overall management of the BPMB Group.

The Board carries ultimate responsibility for the proper stewardship of the BPMB Group. It has the responsibility to ensure the optimisation of shareholders' value and safeguard the stakeholders' interests.

The Board has a fiduciary responsibility to act in the best interest of the BPMB Group.

2. Composition

2.1 The Board shall comprise at least three (3) members but not more than twelve (12), and must not be an active politician.

2.2 The Board shall have at least three (3) directors (excluding executive directors) with finance-related or accounting experience. A board member who is qualified in finance-related disciplines should have acquired a minimum of five (5) years of working experience at a senior management level in the discipline of banking, insurance, takaful, or investment.

2.3 The Board must not have more than one (1) executive director on the Board to promote effective independent oversight by the Board.

2.4 The Board must have a majority of independent directors at all times.

2.5 The Board shall possess sound judgement, objectivity, management experience, integrity and knowledge of the industry. The Board are required to make a declaration of interest in the event that they have interests in proposals, which are being considered by the Board, including where such interest arises through close family members and related parties, in line with various statutory requirements on the disclosure of Directors' interests.

In any situation when a conflict of interest arises, where the members of the Board are deemed as interested, such interested member would recuse himself/herself from all proceedings and deliberations of the Board pertaining to the matters of conflict. The declaration of interest and abstention from the deliberation and voting would be recorded in the minutes of the meeting or written resolutions of the Board.

3. Chairman

3.1 The Chairman of the board must not be an executive and must not have served as a CEO of the DFI in the past five (5) years.

3.2 The Chairman of the board must not chair or become a member of any of the Board Oversight Committees.

3.3 The Chairman cannot be appointed as the Chairman or Director of BPMB's wholly owned subsidiaries.

4. Invitee

4.1 The following Senior Leadership Team ("SLT") is the Permanent Invitee for the Board meeting:-

- Group Chief Executive Officer

In the absence of the GCEO mentioned above, the Board can appoint any other SLT, as it deems appropriate.

4.2 The Board may invite other Directors and/or Senior Management of BPMB and its Group of subsidiaries to attend the Board Meeting as 'Invitee'. The aforesaid 'Invitee' shall only participate in the Meeting during the presentation and deliberation of matters concerning the subsidiary(ies).

4.3 The Board may invite to its meeting any SLT and such other persons as it deems appropriate, in order to carry out its responsibilities.

5. Secretary

5.1 The Company Secretary or a licensed officer from the Group Corporate Secretarial of BPMB or any other personnel authorised by the Board shall prepare the minutes and resolutions of all Board meetings, including the names of those present and in attendance.

6. Roles & Responsibilities

6.1 The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the BPMB Group, for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decision on the Bank, its subsidiaries, its stakeholders and the general public. The primary duties and responsibilities of the Board are:-

6.2 FINANCE / OPERATIONS

(a) Review and approve all strategic and policy matters and business plan of BPMB Group to ensure alignment in the business direction and strategic objectives, and monitor the Management's performance in implementing them based on Scorecard and KPIs approved by the Board.

(b) Review the adequacy and integrity of the BPMB Group's accounting and financial reporting system and ensure appropriate controls are in place.

(c) Approval of significant changes in accounting policies and practices.

(d) Review and approve the following matters, including but not limited to:-

i. Annual Business Plan and Budget and any changes to the Budget of BPMB and Group;
ii. Management report which includes financial and business performance, update on credit impaired assets, material litigation and important events;
iii. Any corporate exercise proposals;
iv. Changes in corporate organisation structure;
v. Any write-off proposal;
vi. Material Litigation;
vii. Investment proposal or ventures on strategic alliance;
viii. All credit and investment proposals with connected party transactions and write-off proposals in relation to the connected party exposure;
ix. Authority Limits documents, including discretionary authority vested to any officer of BPMB and Group;
x. Distribution of dividend;
xi. Procurement of work supply and services, and any purchase and disposal of goods or fixed assets or any purchase or termination of services within limits stipulated in the Authority Limits document;
xii. Asset of the Group when pledged as security;
xiii. Acquisition of and prepayment of any financing or indebtedness of the BPMB and Group;
xiv. Any investments, divestments and acquisitions, including the setting up of new subsidiaries/associate companies; and
xv. Consolidated audited financial statement and quarterly results prior to release to Bank Negara Malaysia.

(e) Approve capital plan as part of budget exercise and any significant capital raising and repayment activities, and review reports on capital adequacy.

(f) Review and approve significant business and operational policies and oversee their implementation, including but not limited to the following:-

i. Approval for new products or services and review the performance and profitability of such products or services;
ii. Dividend policy;
iii. Depreciation policy;
iv. Procurement policy;
v. Outsourcing policy;
vi. IT security and other related IT policies;
vii. Compliance and Risk policy; and
viii. Any BPMB Group policies, where relevant.

(g) Review and approve any appointment of such person, consultants, attorneys or advisors or establishment of a committee or task force to undertake any specific assignments in relation to the BPMB and Group's business and operations within the limits stipulated under the Authority Limits document.

6.3 CORPORATE GOVERNANCE, POLICY AND STRATEGIC MATTERS

(a) Review and approve the BPMB and Group’s corporate governance and internal control framework.

(b) Ensure that the Group's strategic focus is clearly defined and in line with mandated roles.

(c) Oversee the governance arrangements, which should promote transparency and accountability in the management and decision-making processes within BPMB and Group and ensure that GCEO effectively implements good governance across all functions of BPMB and Group.

(d) Promote through appropriate communication policies and practices, timely and effective communication between BPMB and BNM and stakeholder ministries on matters affecting or that may affect the safety, soundness and mandate of BPMB.

(e) Act in the best interest of BPMB and Group, free from any undue external influence which could undermine BPMB and Group’s approved mandate and financial soundness.

(f) Review and monitor Management’s performance in implementing the approved strategies, plans and budget and ensure that any corrective action is taken, if necessary.

(g) Approve the ‘fit & proper’ assessment on Board members, SC members, GCEO, CEO of subsidiaries, key senior management/SLT and the Company Secretary on a yearly basis so as to ensure their effectiveness in carrying out their responsibilities. The Board may instruct a ‘fit & proper’ assessment to be performed on any Board member, SC member, GCEO, CEO of subsidiaries, key senior management/SLT or the Company Secretary, at any time, as it deems necessary.

6.4 RISK GOVERNANCE AND INTERNAL CONTROL

(a) Review and approve the risk appetite, business plans and other initiatives of the Group which would have a material impact on the Group’s risk profile.

(b) Review and approve risk management policies and ensure that the BPMB establishes adequate internal controls and infrastructure in addressing the risks across the Group, including those arising from intra-group transactions.

(c) Review and approve the Business Continuity Management Policy in dealing with various extreme internal/ external events and disasters.

(d) Review and approve the entry into, or variation of, any contract, arrangement or commitment with any related party or any dealing involving a conflict of interest situation.

(e) Review and approve any new outsourcing proposals.

(f) Review and challenge the stress testing results, scenarios and methodologies (including key assumptions) and assess the impact of stress testing on the overall risk profile.

(g) Review and approve the resolution of findings on Composite Risk Rating (CRR) prior to its submission to Bank Negara Malaysia ("BNM").

(h) Evaluate the effectiveness of the Management in managing the risks of the BPMB Group, including at least an annual evaluation on the overall management of compliance risk.

(i) Review and approve the Recovery Planning, including but not limited to the following:-

   i. Annual submission and changes in Recovery Planning;
   ii. Material changes and activation of the Recovery Planning prior to its submission/communication to BNM;
   iii. Implementation of recovery options to normalise the recovery indicators; and
   iv. Transition of phases according to recovery indicators.

(j) Review regularly reports on risk exposure to credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, IT and cyber risk related issue and business continuity risk), sustainability risk (including climate-related risk) and other relevant risk, risk portfolio composition and risk management activities including the adequacy of tools, systems and resources for the successful execution of risk functions within BPMB Group.

(k) Oversee the implementation of the internal control framework and management information systems, and periodically review the adequacy and integrity of these to determine whether they remain appropriate in light of material changes to the size, nature and complexity of BPMB's operations.

(l) Ensure that all control functions and internal audit have the proper authority and are adequately staffed and resourced to carry out their responsibilities independently and effectively.

6.5 <u>SUSTAINABILITY (INCLUDING CLIMATE)</u>

(a) Promote sustainability through appropriate environment (including climate), social and governance considerations over the short, medium and long-term in its business strategies.

(b) Oversee the effective management of climate risks and opportunities arising from climate change in order to safeguard the Group's resilience against the adverse impacts of climate change while actively promoting a just and orderly transition of the economy.

(c) Review and approve sustainability (including climate) related targets and metrics, as recommended by the Board Risk Management Committee.

(d) Stay up to date on climate-related developments.

(e) Review and approve the policy on climate-related disclosures to promote credible and high-quality disclosures and mitigate the risks of greenwashing, including internal controls and governance arrangements over the disclosure process.

(f) Review and approve the relevant sustainability (including climate) related disclosures.

6.6 HUMAN RESOURCES

(a) Review and approve the appointment, renewal and removal, the remuneration and promotion as well as succession plans of the Board, Shariah Committee ("SC") members and key senior management/SLT, including the Company Secretary.

(b) Review and approve the succession plan for directors and GCEO and nomination of directors and GCEO of BPMB Group.

(c) Review and approve Human Resource policy, including but not limited to the succession planning policy, salary and remuneration policy, including bonuses and other staff benefits, code of conduct, code of ethics, whistle-blowing procedures, disciplinary action procedures and grievance procedures.

(d) Annually review the performance of individual directors, SC members and key senior management/SLT, including the GCEO and the effectiveness of the Board and the SC as a whole.

(e) Review and approve any policies related to directors, including, among others, Directors' Remuneration policy, Tenure of Directorship and Directors' Training.

(f) Approval of the remuneration policy of BPMB, periodic review, including when material changes are made to the policy.

(g) Approval of the emoluments and benefits of the Board members, Board Oversight Committee members, SC members, GCEO, CEO of the subsidiaries, senior key management/SLT and the Company Secretary based on the assessment and recommendation of BNRC for MOF Inc.'s approval.

(h) Approval of remuneration for each director, member of key senior management/SLT and other material risk taker annually. BPMB shall maintain and regularly review a list of officers who fall within the definition of "other material risk takers".

(i) Approval of the remuneration and benefits for the Directors of BPMB subsidiaries based on recommendation by BNRC, and the same shall be forwarded to MOF Inc. for approval.

(j) Approval of salary structure framework for employees in executive grades and above. The salary structure is subject to the final approval by MOF Inc.

(k) Approval of Terms of Services and new Terms for Executives and staff of the BPMB Group, including the Collective Agreement between the Bank and the Union. The Collective Agreement terms are subject to the final approval by MOF Inc.

(l) Approval of the budget for annual bonus and annual salary increment.

(m) Approval of the proposed annual bonus payment for GCEO based on the assessment and recommendation of BNRC. The payment is subject to final approval by MOF Inc.

(n) Approval of the pool for annual bonus/annual incentive/annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia payment for employees and other material risk takers or other group-wide performance-related rewards and annual increment of the Group. The pool for annual bonus/annual incentive payment/annual ex gratia payment is subject to the final approval by MOF Inc.

(o) Approval of separation schemes subject to the final approval by MOF Inc.

(p) Approval of the following matters in relation to the Key Senior Management and the Company Secretary:-

- New appointment/Recuitment;
- Re-appointment;
- Renewal/Non-renewal of Contract;
- Conversion of Employment Status;
- Secondment to subsidiaries;
- Management succession planning;
- Key Performance Indicator Setting; and
- Performance Evaluation.

6.7 SHARIAH GOVERNANCE AND COMPLIANCE

The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of BPMB. In fulfilling this role, the Board must:-

(a) Promote Shariah compliance in accordance with expectations set out in BNM Policy Document on Shariah Governance and ensure its effective integration with the Bank's business and risk strategies.

(b) Institutionalise a robust Shariah governance framework that is commensurate with the size, complexity and nature of BPMB and Group.

(c) Approve all policies relating to Shariah governance structure and reporting arrangements, Shariah risk management and other areas that are material to the effective implementation of governance within the Bank and to ensure that such policies are implemented effectively.

(d) Oversee the implementation of BNM's Shariah Advisory Council rulings and decisions or advice of the SC within all business and functional lines, including any business or risk implications arising from such implementation.

(e) Oversee the implementation of the internal control framework to prevent Shariah non-compliance and approve any rectification measures to resolve incidents or circumstances that may result or have resulted in Shariah non-compliance.

(f) Oversee the performance of senior management and other officers entrusted to implement the Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives.

(g) Promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah.

(h) Continuously develop and strengthen the Director's knowledge and understanding of Islamic finance business as well as keep abreast with developments that may impact Islamic financial business, to fulfil their responsibilities to BPMB and Group.

6.8 COMPLIANCE

(a) Approve the establishment of the compliance function and ensure the compliance function and the Group Chief Compliance Officer are provided with appropriate standing, authority and independence.

(b) Review and deliberate compliance issues regularly based on relevant reports or proposals to ensure such issues are resolved effectively and expeditiously, and operations of the Bank are in compliance with:-

   i. The relevant framework of laws, including but not limited to the Development Financial Institution Act (Amended) 2015, Companies Act 2016, Anti Money Laundering & Anti-Terrorist Financing Act 2001, Malaysian Anti-Corruption Commission Act 2009 and any regulations and guidelines under the relevant laws;
   ii. The relevant Shariah principles; and
   iii. Any established policies and procedures of BPMB Group.

(c) Consider and provide any response, attestation, undertaking or confirmation as required by regulatory authorities in relation to compliance with regulatory requirements.

(d) Review and approve all policies related to anti-bribery and corruption, including but not limited to the following:

   i. Anti-Corruption Plan in accordance with the National Anti-Corruption Plan;
   ii. Corruption Risk Management Framework; and
   iii. Requirements of Adequate Procedures under the Malaysian Anti-Corruption Commission Act.

(e) Oversee a robust and reliable corruption risk information and monitoring system.

(f) Ensure enforcement of an effective anti-corruption system in preventing the risks of persons associated with BPMB Group from undertaking corrupt practices.

6.9 INFORMATION TECHNOLOGY

(a) Establish and approve the technology risk appetite, which is aligned with the financial institution's risk appetite statement.

(b) Review and approve the adequacy of the financial institution's IT and cybersecurity strategic plans covering a period of no less than three years.

(c) Review and approve effective implementation of a sound and robust technology risk management framework (TRMF) and cyber resilience framework (CRF).

(d) Designate a board-level committee which shall be responsible for supporting the board in providing oversight over technology-related matters.

(e) Review and approve the technology blueprint of the Group.

(f) Review and approve any appointment of such person, consultants, or advisors to undertake any specific projects or assignments in relation to the BPMB Group IT or digitalisation initiatives/projects.

6.10 OTHERS

(a) Approve any corporate branding exercise affecting the corporate image of BPMB, including logo, tagline and annual report.

(b) Review and approve any appointment of corporate representatives and powers of attorney to act on behalf of the Bank.

(c) The Board shall also have the authority to review and approve such other matters as determined by the Board of the Bank, from time to time.

(d) Changes to the Bank's Constitution or any other matters requiring the approval of the shareholders.

(e) Approval of the insurance coverage for the Group, including the Directors' & Officers' liability insurance.

(f) Any major decision relating to the conduct (or settlement) of any material legal proceedings to which the Bank or the Group is a party.

(g) Any matter required to be considered or approved by the Board as a matter of law or regulation.

(h) Any other matter not falling within the powers and authority of the shareholders, GCEO or delegated to any Board Oversight Committee.

(i) To decide on any other matters delegated to the Board Oversight Committees if the matter is not discussed/approved/endorsed by the Committees.

7. Authority

7.1 The Board shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with the Authority Limits document or such limits as may be determined by the Board from time to time. During the discharge of such duties, the Board shall have:-

(a) Access to the full company records, properties and personnel;
(b) Independent professional advice and expertise necessary to perform its duties, and the cost shall be borne by the Bank; and
(c) Access to advice and services of the Company Secretary.

A director shall at all times act honestly and shall use reasonable diligence in the discharge of his/her duties.

7.2 The Board are encouraged to have an independent session with the Board members without the presence of the Management before or after the Board meeting.

8. Quorum

8.1 The quorum necessary for the Board meeting shall be at least 51% of the total number of Members, of which a majority must be represented by Independent Directors.

Notwithstanding the above, a minimum of 75% quorum is required for decision-making with regard to connected party transactions.

8.2 A member of the Board shall be deemed to have attended a meeting either by his/her physical presence or via other modes of telecommunication, including but not limited to video conferencing or telephone, subject to the consent of the Chairman of the meeting.

8.3 A duly convened meeting of the Board at which a quorum is present shall be fit to exercise all/ any of the authorities, powers and discretions vested in or exercisable by the members.

8.4 The Board that is interested in a contract, a proposed contract, or an arrangement shall be counted for the purpose of determining a quorum. However, he/she must abstain from participating in discussions and decisions on matters directly involving him/her.

8.5 Decisions relating to the BOD's recommendation shall be consensus, always adhering to the quorum for the meeting. Notwithstanding the above, the Chairman shall call for a vote of the members if the circumstances warrant it, where the decision shall be carried out based on the majority. In case of an equality of votes, the Chairman shall have a second or casting vote. No Member will abstain from voting unless he or she has declared a conflict of interest.

		8.6	In the event the Chairman is unable to attend the Board meeting, the Chairman or members present may elect any one (1) of the members to be the Chairman of the meeting.
9.	Frequency of meetings	9.1	The Board shall meet at least six (6) times a year or at such other times as and when requested by the Chairman or any member of the Board. However, the meeting fees are only paid up to 18 meetings a year.
10.	Attendance	10.1	All members are required to attend at least 75% of the Board meetings held in each financial year.
		10.2	Any member who fails to attend three (3) consecutive Board meetings without a valid reason may result in the termination as a member of the Board.
11.	Notice of Meeting & Meeting Papers	11.1	The Company Secretary shall notify meetings of the Board at the request of the Chairman of the Board.
		11.2	Unless otherwise agreed, a notice of each meeting confirming the venue, date and time together with the agenda of items to be discussed, shall be forwarded to the Chairman of the Board, preferably not less than seven (7) days prior to the date of the meeting.
		11.3	In addition to the scheduled meeting, the Company Secretary shall convene any special meetings of the Board upon receipt of a request from the Chairman or any member of the Board by giving a reasonable notice of the meeting of not less than two (2) days prior to the date of the meeting.
		11.4	All meeting papers shall be provided to the Board not less than five (5) days prior to the date of the meeting. However, papers that are deemed urgent may still be submitted to the Company Secretary after the expiry of the deadline for paper submission to be tabled to the Board, subject to the approval from the Chairman of the Board.
12.	Confidentiality and Document Handling	12.1	All Board material is strictly confidential and provided solely for Board discussion.
		12.2	In the case of highly sensitive and confidential papers, the papers can be distributed on the meeting day or during the meeting.
		12.3	Appropriate measures may be taken, in the interest of confidentiality and good governance, to safeguard Board materials upon the conclusion of a meeting.
		12.4	The Company Secretary shall act as the custodian of all confidential documents of the Board. Any recording of Board meetings shall be strictly for the purpose of assisting the Secretary in the preparation of the minutes. The recording must be permanently deleted upon confirmation of the minutes of the Board.

12.5 The retraction of confidential documents may only be requested by the Chairman of the Board or the Chairman of the respective Board Oversight Committee, pertaining to matters under their purview only.

12.6 Breach of confidentiality obligation by any director, company secretary or any responsible person shall be subject to review by the Board or the relevant Board Oversight Committee.

13.	Minutes of Meeting & Circular Resolution	13.1	The Secretary shall minute the proceedings and resolutions of the meeting. The minutes must record the decisions of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself from deliberating on a particular matter.
		13.2	The Company Secretary shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly.
		13.3	Draft minutes of each Board meeting shall be circulated to the Board members prior to the tabling of the said minutes for confirmation five (5) days before the subsequent Board meeting.
		13.4	Minutes of the meeting shall be distributed and approved by the Board members and shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
		13.5	Reproduction of any part of the minutes must be through/by the Company Secretary.
		13.6	A circular resolution in writing signed by all of the Board members in like form for the time being present in Malaysia shall be valid and effectual as if it had been passed at the Board meeting. The circular resolution in writing shall be supported by relevant papers setting out details of the subject matter. The Board members may obtain more information from Management, express their views or points, and convey their decisions by facsimile, electronic mail, or any other means of telecommunication. The circular resolution in writing is limited to matters which is not complex and do not require in-depth discussion. All circular resolutions shall be submitted for information/ confirmation at the Board meeting following the passing of the circular resolutions.
14.	Others	14.1	The Terms of Reference shall be reviewed once every (2) years or within such a time as determined by the Board. The review/ amendment/ modification of the Terms of Reference shall be tabled at the BNRC for recommendation and to the Board for approval.

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