

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD
REGISTRATION NO. 201001000001 (839839-M)**

TERMS OF REFERENCE OF BOARD RISK MANAGEMENT COMMITTEE

I OBJECTIVE

The Board Risk Management Committee (“BRMC”) supports the Board of Directors (“Board”) of the Bank to provide oversight on the following:

- a) design and implementation of an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank’s activities; and
- b) Senior Management’s actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite.

II AUTHORITY

The BRMC shall have explicit authority on the following:

- a) approving the revision to relevant policies that pertain merely to administrative matters, with no significant changes to the policy’s approach, framework or standards;
- b) full access to and cooperation by the Management;
- c) sufficient support and resources to investigate any matter within its terms of reference; and
- d) obtaining external consultants/experts’ advice on risk management and compliance matters as and when required and the cost of such advice shall be borne by the Bank.

III ROLES AND RESPONSIBILITIES

The BRMC shall assist the Board in discharging the following roles and responsibilities: -

1.0 Risk Management

- 1.1 Review and recommend risk management strategies, risk appetite and policies for the Board’s approval.
- 1.2 Review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively; and obtaining assurances that they are being adhered to on a timely basis.
- 1.3 Evaluate and obtain assurances that the infrastructure, resources and systems are in place for an overall effective management of risk function and are adequate to maintain a satisfactory level of risk management and discipline.

- 1.4 Review and deliberate Management's periodic reports on:
 - Risk exposure, risk portfolio composition and risk management activities; and
 - Other Issues and matters relating to compliance, sustainability and climate-related matters.

- 1.5 Where risk strategies and policies are driven by the Bank's Parent Bank, BRMC shall:
 - Evaluate and provide input on such strategies and/or policies to suit local conditions; and
 - Make appropriate recommendations to the Board on the execution or compliance of such strategies and/or policies.

- 1.6 Review and ensure forward-looking and dynamic capital management processes that incorporate changes in the Bank's strategic business direction, risk profiles, operating environment, and other factors including sustainability and climate change that could materially affect the Bank's capital adequacy. Amongst others, in exercising its oversight responsibilities, the BRMC is expected to:
 - Review and recommend the Bank's tolerance for risks (risk appetite) and capital management framework (which should include, among others, internal capital targets);
 - Provide oversight to the Senior Management to discharge its responsibilities for the development and effective implementation of the Internal Capital Adequacy Assessment Process (ICAAP); and
 - Review the appropriateness of the Bank's capital contingency plan and reporting mechanism on a regular basis.

- 1.7 Review and recommend the Bank's overall stress testing methodology, which should be forward looking with defined scenario(s) that cover various material risks including but not limited to business areas, sustainability and climate change for Board's approval. The result of the stress tests should facilitate the development of risk mitigation or contingency plans for the stressed scenario(s).

- 1.8 Provide oversight over the risk management of technology and cybersecurity-related matters. Among other things, to review and recommend the risk management of technology-related frameworks for the Board's approval.

- 1.9 Provide oversight on the overall development and implementation of the Business Continuity Management ("BCM") framework that is integrated with the overall risk management framework of the Bank, encompassing review and recommendation of BCM framework for the Board's approval.

2.0 Compliance and Internal Control Management

- 2.1 Oversee and deliberate on the material compliance frameworks, strategies and policies, including but not limited to the relevant policies pertaining to the prevention of money laundering, terrorism financing, bribery and corruption, etc.

- 2.2 Oversee the effectiveness of the overall management of compliance risk of the Bank, amongst other, to review and endorse the compliance and internal control work plan annually.
- 2.3 Provide oversight for establishing anti-money laundering/counter financing terrorism (“AML/CFT”) policies and minimum standards, overall AML/CFT risk profiles and measures undertaken by the Bank. This would include reviewing and recommending the policies regarding AML/CFT measures within the Bank, including those required for risk assessment, mitigation and profiling, customer due diligence, record-keeping, ongoing monitoring, reporting of suspicious transactions and combating the financing of terrorism.
- 2.4 Evaluate and obtain/request for assurances that the infrastructure, policies, resources and systems are adequately positioned for the efficient management of compliance and AML while the surveillance mechanisms are adequate.
- 2.5 Provide effective oversight and control over outsourcing arrangements that are consistent with the Bank’s overall business strategy and risk appetite as well as review and recommend the framework/policy that sets the principles and requirements for the Board’s approval.
- 2.6 Receive the progress report on the implementation of new products of the Bank, including reviewing and recommending the policy of new products to the Board for approval.
- 2.7 Promote the adoption of a sound corporate culture within the Bank which reinforces ethical, prudent and professional conduct and behaviour in compliance with the applicable rules and regulations.

3.0 Others

- 3.1 Note the minutes of various management committees, such as Assets and Liabilities Committee, Management Risk Management Committee, BCM Committee, AML/CFT Committee, IT Steering Committee, New Product Committee and other committee(s), as deemed appropriate.
- 3.2 Support the Board in implementing a sound remuneration system with comprehensive risk oversight, especially the adequacy of remuneration policies, without prejudice to the tasks of the Board Nomination and Remuneration functions.
- 3.3 Review and endorse the annual performance assessment results of the compliance and risk management functions.
- 3.4 Any other roles and responsibilities assigned by the Board from time to time.

IV SIZE AND COMPOSITION

1.0 The BRMC must:

- 1.1 Have at least three (3) directors, all of whom must be non-executive directors;
- 1.2 Have a majority of independent directors; and
- 1.3 Comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the BRMC.

V PROCEDURES AND MEETINGS

1.0 Quorum

- 1.1 The quorum shall be $2/3$ of the Committee members entitled to attend the meeting;
- 1.2 A majority of votes shall be required to pass or defeat any resolution. However, should there be only two members in attendance (inclusive of the Chairperson of BRMC), the votes must be unanimous in order to pass or defeat any resolution; and
- 1.3 Alternatively, the resolution mentioned above may be referred to the Board for a final decision; and any delegation of authority to the Chairperson of the Board to handle the matter will be at the discretion of the Board.

2.0 Chairperson of the Meeting

- 2.1 The meeting should be chaired by an independent director. The Chairperson of the BRMC shall be appointed by the Board; and
- 2.2 The BRMC meeting will be presided over by the Chairperson of the BRMC or such independent director nominated by the meeting in the absence of the Chairperson of the BRMC.

3.0 Secretary

- 3.1 The Company Secretary shall be the secretary of the BRMC. In the absence of the Company Secretary, such other person(s) as may be agreed to by the members of the BRMC will act as the secretary of the meeting for minutes-taking purposes.

4.0 Attendance at the Meetings

- 4.1 The BRMC may invite other directors, the Chief Executive Officer and any other employees to its meetings to assist in the discharge of its responsibilities.
- 4.2 The meeting could either take place in a single physical location or by means of tele/video-conferencing or similar communication facilities available whereby all the participants can hear and communicate with each other simultaneously and instantaneously.

5.0 Frequency of Meetings

- 5.1 The BRMC shall meet as frequently as may be necessary, but at least once every quarter and in any case upon the requisition of any member of the BRMC to transact such matters as are set out in its terms of reference.

6.0 Notices and Materials of Meetings

- 6.1 At least one (1) week notice is required for any meeting. The notice of meeting may be shortened/waived subject to the consent of all BRMC members.
- 6.2 The notice and agenda of meeting together with meeting materials should be circulated by the Company Secretary.

7.0 Minutes

The minutes of each meeting will be prepared in sufficient detail to convey the substance of all discussions held in order to:

- 7.1 Document the steps that have been taken by the BRMC to discharge their duties and responsibilities.
- 7.2 Provide an effective means of reporting BRMC meetings to the Board.
- 7.3 Minutes of each meeting should be properly recorded and distributed to all the members of the BRMC. The minutes of the BRMC meeting shall be tabled to the Board for information.
- 7.4 A resolution in writing, signed by all members of the BRMC, shall be as valid and effectual as if it had been passed at a meeting of the BRMC duly convened and held.

V REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference of the BRMC will be reviewed as and when deemed appropriate so as to maintain its relevance with the business operation of the Bank and in line with the regulatory requirements and shall be subject to the approval of the Board.

(Approved by the Board at its Meeting No. 8/2023 held on 12 December 2023)