

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

BOARD AUDIT COMMITTEE
TERMS OF REFERENCE

1. Objective

The objective of Board Audit Committee ("BAC") is to provide independent oversight to review the financial conditions of Bank Pembangunan Malaysia Berhad ('BPMB' or the 'Bank') and the Group ("BPMB Group")'s financial reporting processes and internal control and ensuring checks and balances within BPMB Group, performance and findings of the internal auditors and to recommend appropriate remedial action regularly.
2. Composition
 - 2.1 BAC shall consist of not less than three (3) members of BPMB Board of Directors ("Board").
 - 2.2 All Members of BAC shall be Non-Executive Directors, with the majority of whom are Independent Directors. The Chairman of the Board shall not be a member of the BAC.
 - 2.3 The appointment of the Chairman and members of BAC shall be approved by the Board based on the recommendation made by the Board Nomination and Remuneration Committee ("BNRC"). All members of the BAC, including the Chairman, shall hold office only so long as they remain as Directors of BPMB.
 - 2.4 The members of BAC may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Directors of BPMB.
 - 2.5 Collectively, BAC shall have a wide range of necessary skills to discharge their duties. At least one (1) Member must have the following requirements:-
 - (i) Member of a recognised association of accountants; OR
 - (ii) Must have at least three (3) years of working experience and hold at least a diploma in Accounting; OR
 - (iii) In the absence of the above, the majority of members have working experience or knowledge in accounting, auditing practices and financial reporting requirements.

Note:
The criterion of the composition is based on the recommendation of MCG 2021, which makes reference to Chapter 15 of Bursa Malaysia Listing Requirements.

 - 2.6 Members of the BAC shall possess sound judgement, objectivity, management experience, integrity and knowledge of the industry. The Members of BAC are required to make a declaration of interest in the event that they have interests in proposals, which are being considered by BAC, 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 all situations, where the Members of BAC are deemed as interested, such interested Member would recuse himself/herself from all proceedings and deliberations of BAC pertaining to the matters of conflict. The declaration of interest and abstention from the deliberation and voting would be recorded in the minutes of meeting or written resolutions of BAC.

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| 3. | Chairman | 3.1 | The Chairman of BAC must be an Independent Non-Executive Director. In his absence, the members present at the meeting may elect any of its members to be the Chairman of the said meeting. |
| | | 3.2 | The Chairman of BAC is not the Chairman of the Board. |
| 4. | Invitee | 4.1 | <p>The following Senior Leadership Team ("SLT") are the Permanent Invitees for BAC:-</p> <ul style="list-style-type: none"> • Group Chief Executive Officer ("GCEO"); • Chief Internal Audit ("CIA"); • Group Chief Corporate Development Officer ("GCCDO"); • Managing Director, Group Finance & Operations. <p>Notwithstanding the above, the GCEO and/or BAC can appoint any other SLT as a Permanent Invitee as it deems appropriate.</p> |
| | | 4.2 | BAC may invite other Directors and/or SLTs of BPMB's subsidiary(ies) to attend the BAC 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 | BAC may invite to its meeting any Senior Management, 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 BAC shall prepare the minutes and resolutions of all BAC meetings, including the names of those present and in attendance. |
| 6. | Roles & Responsibilities | | <p>The duties and responsibilities of BAC shall include the following:-</p> <p>6.1 Recommend to the Board each year on the appointment/reappointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors;</p> <p>6.2 Review, with the External Auditors:-</p> <ul style="list-style-type: none"> (i) To recommend to the Board on the appointment, removal and remuneration of the external auditor; (ii) To monitor and assess the independence of the external auditor, including by approving the provision of non-audit services by the external auditor; |

- (iii) To review the audit plan and audit report, monitor and assess the effectiveness of the external audit, including by meeting with the external auditor without the presence of Senior Management at least annually;
- (iv) To ensure that Senior Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations in their Management Letter and Management Response; and
- (v) To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the BAC on significant matters.

6.3 With regard to the Internal Audit function:-

- (i) To review the adequacy of scope, functions and resources of the Group Internal Audit function, Audit Charter and that it has the necessary authority to carry out its responsibilities;
- (ii) To endorse the Group Internal Audit function budget;
- (iii) To review and approve the internal audit plan, programme, processes, scope, procedures and frequency;
- (iv) To review key audit reports (including reports on internal controls, risk management processes, compliance with statutory requirements and governance practices) and ensure that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
- (v) To recommend to BNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the Chief Internal Auditor;
- (vi) To 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;
- (vii) To review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Shariah Committee and the Board.
- (viii) To note significant disagreements between the Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings; and

- (ix) To establish a mechanism to assess the performance and effectiveness of the Group Internal Audit function.
- 6.4 To receive and consider reports relating to the perpetration and prevention of fraud;
- 6.5 To review the Bank's compliance with the related Government regulations, including Anti-Money Laundering and Counter Financing of Terrorism ('AML/CFT') measures annually;
- 6.6 To review the quarterly result, half-yearly result and the year-end Audited Financial Statements prior to submission to the Board for approval. The review of the year-end Audited Financial Statements by the External Auditor shall focus particularly on:-
 - (i) Any major changes in the accounting policy or its implementation;
 - (ii) Adequacy of allowance against contingencies, bad and doubtful debts;
 - (iii) Significant and unusual events; and
 - (iv) Compliance with accounting standards and other legal requirements.
- 6.7 To ensure that the accounts are prepared in a timely and accurate manner, and ensure prompt publication of Audited Financial Statements.
- 6.8 To discuss any problem or 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.
- 6.9 To review and update the Board on all related party transactions and conflict of interest situations that may arise in the Bank or BPMB Group, including any transaction, procedure or conduct that raises questions of management integrity.
- 6.10 To review the accuracy and adequacy of the following documents:-
 - (i) Chairman's Statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements and other BAC reports that contain the following information, which shall be published in the Bank's Annual Report:-
 - a) A summary of the activities of the BAC in the discharge of its functions and duties for the financial year; and
 - b) A summary of the activities of the Group Internal Audit function.

- (ii) Interim financial reports and preliminary announcements in relation to the preparation of Audited Financial Statements.
- 6.11 To review and endorse the status and progress of Management's responses and corrective measures on issues raised in the Bank Negara Malaysia Examination Report, prior to submission to the Board for approval.
- 6.12 To inform the Board on the issues and concerns discussed during its Meetings, including those raised by the External Auditors and, where appropriate, make the necessary recommendations to the Board.
- 6.13 To deliberate on investigation reports in relation to whistleblowing cases and decide on actions to be taken in accordance with Group Human Resource policy.
- 6.14 To note the approved TOR of Audit Issue Resolution Committee ("AIRC") and the changes in the composition of AIRC's members.
- 6.15 To consider any other matters referred by the BPMB Board to the BAC.
- 6.16 Monitor compliance with the Board's conflicts of interest policy.
- 6.17 To review third-party opinions on the design and effectiveness of the Group's internal control framework.
- 6.18 With regards to the Bank's internal policies and procedures: -
- BAC shall be responsible to:-
- (i) Approve audit report toward adequacy, appropriateness and effectiveness of BCM, including disaster recovery and governance structure implementation in BPMB Group;
 - (ii) Provide oversight over the prompt closure of corrective actions to address gaps related to management of business continuity and recovery;
 - (iii) Ensure the effectiveness of the internal audit function, which includes ensuring the adequate competency of the audit staff to perform BCM audits;
 - (iv) Approve audit report towards the adequacy, appropriateness and effectiveness of risk management and governance structure implementation in the BPMB Group;
 - (v) Provide oversight over the prompt closure of corrective actions to address risk management and its control gaps;
 - (vi) Ensure the effectiveness of the internal audit function, which includes ensuring the adequate competence of the audit staff to perform risk audits;

- (vii) Approve audit reports toward the adequacy, appropriateness and effectiveness of cyber resilience and the governance structure implemented in BPMB Group;
- (viii) Provide oversight over the prompt closure of corrective actions to address cyber-related control gaps;
- (ix) Ensure the effectiveness of the internal technology audit function, which includes ensuring the adequate competence of the audit staff to perform technology audits;
- (x) Approve audit report toward adequacy, appropriateness and effectiveness of technology risk management and governance structure implementation in BPMB Group;
- (xi) Provide oversight over the prompt closure of corrective actions to address technology control gaps;
- (xii) Ensure the effectiveness of the internal technology audit function, which includes ensuring the adequate competence of the audit staff to perform technology audits; and
- (xiii) Responsible for providing oversight on reviewing the adequacy and integrity of the internal control systems and overseeing the work of the internal and external auditors within the Group. BAC meets regularly to, amongst others, review the quarterly results (if applicable), full year financial statements, audit reports, which include observations pertaining to risk management and internal controls, as well as connected party transactions.

6.19 With regards to the Bank's Authority Matrix:-

Strategic Management: Corporate Values

BAC is to endorse:

- (i) Proposal for the Interim and Final Dividends to shareholders.
- (ii) Appointment of External Auditors and Approval for Audit Fees.

Strategic Growth: Credit Approval for Financing Assets, Investment Papers and Rescheduling/ Restructuring Cases - Within Single Counterparty Exposure Limit ("SCEL*")

- (iii) For NEW and ADDITIONAL limits or exposure – within 1-year cycle per counterparty: BAC is to endorse/ has veto on Bad Debts/Credit Write Off, regardless of the amount.

7.	Authority	7.1	BAC shall have the authority to investigate any matter within its Terms of Reference.
		7.2	BAC shall have full authority to seek/obtain information from any employee of BPMB Group and to commission any investigations, reports or surveys, which it deems necessary in facilitating BAC to fulfil its duties and obligations.

- 7.3 BAC may request, at BPMB's expense, any external or independent professional advice or expertise, if necessary.
 - 7.4 BAC shall have direct communication with the External Auditors, Internal Auditors and Senior Management of the Bank and its subsidiary(ies).
 - 7.5 BAC shall be able to convene meetings with the Internal/External Auditors without the presence of the Group Chief Executive Officer or Management of BPMB.
 - 7.6 Reports of the Internal Auditors and BAC shall not be subject to the clearance of the Group Chief Executive Officer.
 - 7.7 BAC shall observe the requirement with regard to the Interaction between the Board and Management and Executives and the Interaction with Control and Independent Functions as provided in the Board Charter.
 - 7.8 The BAC is encouraged to have an independent session with the Committee without the presence of the Management before or after the BAC meeting.
8. Quorum
- 8.1 The quorum necessary for the BAC meeting shall be at least 51% of the total number of Members, of which a majority must be represented by Independent Directors.
- In deliberating whistleblowing matters involving allegations against a member of BAC, the quorum shall consist of not less than two (2) members, excluding the BAC member who is facing the allegation.
- 8.2 A member of the BAC 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 BAC 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 A member interested in a contract, or a proposed contract or 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 BAC'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.

In the event of ambiguity in the decision, the Chairman has the authority to recommend that the matter be escalated to the Board.

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| | | 8.6 | BAC shall meet with the External Auditor at least annually to discuss any matter that either party believes should be discussed privately without the presence of Senior Management. |
| 9. | Frequency of meetings | 9.1 | BAC shall meet at least six (6) times a year or at such other times as and when requested by the Chairman of the BAC. |
| 10. | Attendance | 10.1 | All members are required to attend at least 75% of the BAC meetings held in each financial year. |
| | | 10.2 | Any member who fails to attend three (3) consecutive BAC meetings shall be removed as a member of BAC. |
| 11. | Notice of Meeting & Meeting Papers | 11.1 | At the request of the Internal/External Auditors, BAC shall meet to discuss audit issues, which they consider necessary and relevant. |
| | | 11.2 | The Secretary shall notify meetings of BAC at the request of the Chairman of BAC. |
| | | 11.3 | 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 BAC, preferably not less than seven (7) days prior to the date of the meeting. |
| | | 11.4 | All meeting papers shall be provided to BAC Members not less than three (3) 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 at the BAC, subject to the approval of the Chairman of BAC. |
| | | 11.5 | After the conclusion of the BAC meeting, a summary decision of the meeting shall form part of the presentations and proposal papers to the Board meeting. |
| 12. | Minutes of Meeting & Circular Resolution | 12.1 | The Secretary shall minute the proceedings and resolutions of the meeting. The minutes must record the decisions of the BAC, 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. |
| | | 12.2 | The Secretary shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute it accordingly. |
| | | 12.3 | Draft minutes of each BAC meeting shall be circulated to the BAC members prior to tabling the said minutes for confirmation five (5) days before the subsequent BAC meeting. |

- 12.4 Minutes of the BAC Meetings shall be approved by the members and signed by the Chairman of the meeting.
- 12.5 A circular resolution in writing signed by the majority of the members of BAC in like form shall be valid and effectual as if it had been passed at a meeting of BAC. The decision shall be made by facsimile, electronic mail or any other means of telecommunication.
- The circular resolution in writing shall be supported by relevant papers setting out details of the subject matter. The members of BAC may obtain more information from Management and express their views or points via 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 a meeting of BAC following the passing of the circular resolutions.
- 12.6 Minutes of meetings and circular resolutions in writing of BAC, which have been confirmed and signed, shall be submitted to the Board for notification.
13. Others
- 13.1 The Terms of Reference shall be reviewed once every (2) years or within such time as determined by the BAC.
- The review/ amendment/ modification of the Terms of Reference shall be tabled at the BAC for recommendation and to the Board for approval.

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