POWERING MALAYSIAN SMEs

CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

TERMS OF REFERENCE
BOARD RISK MANAGEMENT COMMITTEE

1. Mandate

1.1 Pursuant to Article 95 of CGC's Constitution, the Board of Directors ("Board") may delegate any of its powers to committees, consisting of such member or members of the Board as it thinks fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

2. Objective

2.1 In line with the mandate, the Board Risk Management Committee ("BRMC") is formed with the objective to assist the Board to deliberate CGC's risk management practices, to ensure the effectiveness of identification, measurement, monitoring and control of risks, as well as compliance with applicable laws, regulations and guidelines for good corporate governance.

3. Composition

3.1 The appointment to the BRMC shall be made by the Board.

3.2 The BRMC shall comprise at least three (3) Non-Executive Directors as its Members ("BRMC Member/s"), of which the majority shall be independent.

3.3 The Board shall appoint the Chairman of the BRMC ("Chairman") who is an Independent Non-Executive Director.

3.4 In the absence of the Chairman, the BRMC Members present shall elect an Independent Non-Executive Director among themselves to chair the BRMC Meeting.

3.5 The President / Chief Executive Officer or any other persons may be invited to attend the BRMC Meeting as the BRMC may deem appropriate and necessary.

4. Secretary

4.1 The General Counsel & Company Secretary or his/her nominee shall act as the Secretary of the BRMC ("Secretary").

5. Quorum

5.1 The quorum necessary for the transaction of business shall be three (3) with at least two (2) BRMC Members present in person at the BRMC Meeting.

6. Frequency and Attendance

6.1 The BRMC shall meet sufficiently regularly to discharge its duties effectively. The regularly scheduled BRMC Meetings shall be held at least four (4) times in each financial year, one in every three (3) months or at any such number of time(s) as the Board requires or as the BRMC Members may deem necessary to fulfil the BRMC's responsibilities.

6.2 Additional meetings may be convened as and when urgent issues and important decisions are required to be taken between the scheduled BRMC Meetings.

6.3 BRMC Meetings will be scheduled in advance before the end of the current financial year to enable the BRMC Members to plan ahead and accommodate next year's BRMC Meetings into their respective meeting schedules.

6.4 A BRMC Meeting may be summoned by the Chairman or the Secretary on requisition of any BRMC Members.

6.5 The BRMC Member must attend at least 75% out of the BRMC Meetings held in each financial year.

7. Proceedings

7.1 BRMC Meetings shall be governed as follows:-

(i) The time and place of the BRMC Meeting will be determined from time to time by the BRMC Members.

(ii) A reasonable prior written Notice of Meeting shall be given to each BRMC Member, preferably seven (7) working days before the date of the BRMC Meeting. The Notice of Meeting may be waived subject to the consent of all BRMC Members.

(iii) The Secretary, in consultation with the Chairman, shall draw up the BRMC Meeting Agenda (together with associated material) for circulation to each BRMC Member, preferably seven (7) working days before the date of the BRMC Meeting.

(iv) The BRMC papers, proposal and reports shall clearly address the background, objective, key issues, rationale, impact and other relevant information to enable the BRMC Members to make an informed and effective decision or recommendation to the Board.

(v) The BRMC Members shall have full and unrestricted access to all information within CGC and may obtain the resources which it requires including but not limited to expert advice, both internal and external to enable the BRMC to fulfill its objectives.

(vi) BRMC Meetings may be convened by way of instantaneous telecommunication device such as telephone, video conferencing or other electronic means of audio or audio-visual communications. The Chairman of the BRMC Meeting shall be one of the BRMC Members physically present at the BRMC Meeting.

(vii) A BRMC Member shall declare at the BRMC Meeting if the BRMC Member or his/her family (whether directly or indirectly):-

(a) has interest in CGC's contract or proposed contract; or

(b) hold any interests or offices relating to any matters deliberated in the BRMC Meeting which will be or is in conflict with his/her duties as a Director of CGC (conflict of interest).

("family" shall include the BRMC Member's spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his/her child, brother or sister.)

(viii) In the event of declared interest by the BRMC Member:-

(a) the Secretary shall minute the declaration;

(b) the relevant BRMC Member shall not participate in the discussion at the BRMC Meeting; and

(c) the relevant BRMC Member shall not vote on the interest matter (but will still be counted for quorum).

(ix) Each BRMC Member is entitled to one (1) vote in deciding the matters deliberated in the BRMC Meeting.

(x) The decision that gained the majority votes shall be the decision of the BRMC.

(xi) In the event of an equality of votes, the Chairman of the BRMC Meeting shall be entitled to a second or casting vote.

(xii) Unless otherwise decided by the BRMC Members, the BRMC Meeting session may be electronically recorded.

8. Minutes of BRMC Meetings

8.1 The minutes of the BRMC Meeting, where required, shall incorporate the proceeding, deliberation and resolution made at the BRMC Meeting including dissenting view, recommendation, decision and directive.

8.2 The draft minutes of BRMC Meeting ("BRMC Minutes") duly approved by the Chairman shall be circulated to the BRMC Members preferably within seven (7) working days from the date of the BRMC Meeting.

8.3 Upon confirmation by the BRMC, the fair copy of the BRMC Minutes shall be executed by the Chairman of the BRMC Meeting or the next BRMC Meeting.

8.4 The duly executed BRMC Minutes will be entered in CGC's BRMC Minutes Book within fourteen (14) working days from the date of the BRMC Meeting.

8.5 Reproduction of any part of the BRMC Minutes can only be performed through/by the Secretary.

9. Circular Resolution

9.1 In between BRMC Meetings, approvals or recommendations by the BRMC on urgent or important business matters may be made via Circular Resolution enclosing all relevant information to enable the BRMC Members to make informed decisions.

9.2 The Circular Resolution in writing duly signed by all BRMC Members save for BRMC Member who is precluded or prohibited from voting on same shall be as effective for all purposes as a resolution passed at a BRMC Meeting duly convened, held and constituted. For avoidance of doubt, electronic signatures, whether digital or encrypted, shall have the same force and effect as original signatures.

9.3 The expressions "in writing" or "signed" include approval by legible confirmed transmission by email, facsimile or other forms of electronic communications.

9.4 The date of the Circular Resolution shall be the date on which the last BRMC Member signed the Circular Resolution.

9.5 All Circular Resolutions signed by the BRMC Members shall be tabled for notation at the next BRMC Meeting.

10. Duties and Responsibilities

10.1 The BRMC is accountable to the Board for overseeing any matters related to the management of risks and compliance associated with the operations of CGC. The BRMC shall:-

(i) Promotes a forward looking approach by embedding risk into strategic planning, capital allocation, product development, and sensing current and future risk exposures through emerging risks;

(ii) Review CGC's adherence with established policies and procedures in relation to risk management, and compliance to applicable laws, regulations and guidelines;

(iii) Review and monitors any non-compliance matters faced by the business lines within CGC and ensure appropriate actions are taken to comply with the requirements in timely manner;

(iv) Approves the establishment and implementation of risk management and compliance strategies, risk appetite, framework, policies and methodologies in line with Corporation's strategic objectives;

(v) Review and approve products or services, including the pricing and ensure compliance with the prevailing guidelines issued by Bank Negara Malaysia (BNM) or other relevant regulatory body;

(vi) Approves the Corporation's risk profile, including compliance with risk appetite and policies, and oversight to the identification and management of the Corporation's significant and emerging risks;

(vii) Provides oversight of the Corporation's overall capital management and the related risk strategy implementation;

(viii) Reviews the results of stress-testing for the major risk exposures of the Corporation and the assessment on the capability to withstand the stressed conditions in terms of profitability, capital adequacy and liquidity, and initiate/endorse appropriate actions to be taken by the management to mitigate the potential impacts, if necessary;

(ix) Approves capping on sectorial basis, red business rules, write-off of guarantee and financing accounts;

(x) Approves authorisation limits in accordance with policies and procedures authorised by the Board;

(xi) Approves the appointment/re-appointment, dismissal and remuneration as well as the performance appraisal of the Chief Risk Officer. The appointment/reappointment should be in accordance with the BNM's Fit and Proper Guidelines; and

(xii) Examines any other matters related to risk management and compliance referred to it by the Board.

11. Reporting to the Board

11.1 The Chairman shall report to the Board on material matters arising at BRMC Meetings, on all matters within the BRMC's purview, and where applicable, shall present BRMC's recommendations to the Board for decision / approval.

12. Annual General Meeting

12.1 The Chairman is required to attend CGC's Annual General Meeting (or Extraordinary General Meeting) to answer any Shareholder's questions on the BRMC's activities.

13. Communication to the Management

13.1 Decision made by the BRMC shall be communicated by the Secretary to the Management in due course to ensure that the decisions and directions are executed in a timely manner.

13.2 The Management shall take immediate action on all matters arising from the BRMC Meeting and update the BRMC Members on the status of these matters at the next BRMC Meeting or if deemed urgent via circulation of memorandum.

14. Other Provisions

14.1 This Terms of Reference (TOR) may be amended by the Board from time to time in order to retain its usefulness.

14.2 Unless otherwise restricted under the law, CGC's Constitution or by the Board, nothing herein shall restrict the BRMC from delegating specific responsibilities to the Management or any person.

Note:

i. *Compliance refers to compliance to external laws, regulations and guidelines.*