

# **THE BANK OF NOVA SCOTIA BERHAD**

## **TERMS OF REFERENCE OF THE BOARD RISK MANAGEMENT COMMITTEE**

Approved by the Board on 4<sup>th</sup> April 2023

## 1. Mandate:

The purpose of the Board Risk Management Committee (the “Committee”) is to:

- Oversee The Bank of Nova Scotia Berhad’s (the “Bank”) activities in managing the key risk areas and to ensure that the risk management process is in place and functioning effectively.
- Facilitate issue resolution for escalating matters.

The primary goals and objectives of the committee:

1. To perform such duties as may be required by Bank Negara Malaysia (“BNM”);
2. To review credit, liquidity, operational and market risks. Also, as required by regulatory agencies, review, monitor and recommend to the Board for approval risk related policies, procedures and standards;
3. To review management’s periodic reports on risk exposure, risk portfolio composition and risk management activities;
4. To review and seek assurances related to adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
5. As per the BNM guidelines in the BNM Credit Risk Policy, the Board of Directors shall only be a credit approval authority in limited and exceptional circumstances that are clearly defined and documented in the Bank’s Credit Risk Policy. As per the BNM’s Single Counterparty Exposure Limit (SCEL) Policy, credit exposures which are higher than the internal SCEL limit of 22% of the Bank’s Capital shall be reported to the Board Risk Management Committee at the next meeting with appropriate explanation. The Bank’s Board of Directors does not provide credit approval on individual credit exposures.
6. To seek assurances that infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the licensed institutions’ risk taking activities.
7. Have oversight on the Bank’s capital management and ICAAP process.
8. To annually assess the performance of the Head of Risk.
9. To review and recommend for Board approval, the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the financial institution’s risk profile<sup>1</sup>
10. Oversee the implementation of the Bank’s risk governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the operations;
11. To review and recommend the Bank’s BCM policies for approval by the Board and to oversee and monitor that the Bank has a workable Business Continuity Plans (BCP) in place for all critical business functions and that plan is consistent with the Bank’s overall objectives. The Committee will review BCP and receive assurance from Management that the BCP is regularly tested and updated as may be appropriate and necessary taking into account the operational environment and level of risk.
12. Ensure timely engagement with BNM on strategic and regulatory developments at the group level (The Bank of Nova Scotia) that may significantly impact the Bank.
13. Assist in the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the board remuneration committee.

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<sup>1</sup> This would include initiatives which affect the financial soundness, reputation or key operational controls of the financial institution.

The committee will be accountable to:-

- Perform such other duties as may from time to time be assigned to the Committee by the Board.

## **2. Membership**

### Structure

The Committee shall be comprised of:-

- (a) at least three directors;
- (b) have a majority of independent directors<sup>1</sup>;
- (c) be chaired by an independent director<sup>1</sup>;
- (d) Comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the board committee; and
- (e) The Committee must not have any executive director in its membership.

### Appointment of Committee Chair

The Committee shall appoint from the Committee membership, a Chair for the Committee to preside at meetings. In the absence of the Chair, one of the other independent members of the Committee present shall be chosen by the Committee to preside at that meeting.

## **3. Meetings:**

- Meetings of the Committee will be scheduled at least four times a year and in addition may be called by the Chair, as required.
- Minutes, including action items, will be recorded for all Committee meetings.
- Notices and agendas will be circulated at least one week in advance of each meeting.

## **4. Quorum:**

A minimum half of the Committee members are required to form a quorum in respect of the meeting.

## **5. Approvals:**

- Quorum for any approval or decision is the majority of the members in attendance.

## **6. Secretary Records:**

- The meeting agenda will be prepared by the Company Secretary.
- The minutes for each meeting will be prepared by the Company Secretary and will clearly indicate the voting members who agreed to any decisions made.
- The minutes for each meeting will be circulated via e-mail to the committee members for comments and amendments. The finalized meeting minutes will then be presented for approval at the next meeting of the Committee.

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<sup>1</sup> BNM's approval is required for exemptions to these requirements.

**7. Reporting:**

- BNS Berhad Board of Directors

**8. Amendments to the Mandate:**

- The Committee is responsible for approving material changes to the Mandate.