

# Board Charter

## I OBJECTIVE

This Board Charter is formulated to ensure that all Board members acting on behalf of the Bank are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of the Bank.

This Board Charter contains broad principles and requirements on the Board's governance in accordance with the principles of good corporate governance as set out in the recommendation and guidelines issued by the relevant regulatory authorities. The Board is expected to be fully committed in promoting and sustaining a strong culture of good corporate governance and uphold high standards of business integrity and professionalism when carrying out their duties and responsibilities as directors of the Bank.

## II SCOPE OF APPLICATION

This Board Charter is applicable to all Directors of the Bank and would serve as guidance and clarity for the Board and Management regarding the role of the Board, Board Committee and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Bank as well as the Board's operating practices.

## III MANDATE

The mandate of the Board is governed by the Bank's Memorandum and Articles of Association, CA 2016, FSA 2013, BNM's Policy Document/Guidelines, other relevant laws and regulations in Malaysia and the mandate from the parent bank.

## IV ROLES AND RESPONSIBILITIES

### 1. Duties and Responsibilities of the Board

1.1 The Board governs the businesses and affairs of the Bank with the assistance of the senior management of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholder/stakeholders and the manner in which the affairs of the Bank are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of law and also under such powers as conferred by the AA of the Bank and shareholder's mandate.

1.2 The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank and 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 and its customers, officers and the general public. In fulfilling this role, the Board has to oversee, among others: -

- (i) **Business Strategy, Direction and Operation.** The Board assumes an active role and takes full responsibilities for key strategy setting, business plans, financial objectives, risk appetite and various policies formulation and major

capital and operating budgets of the Bank. It reviews the Bank's business strategies and governs the risk management, compliance and internal controls as well as human resource management through the delegation of certain decision making and/or oversight responsibilities to various Board Committees of the Bank.

- (ii) **Risk Management.** The Board embraces risk management as a foundation of the Bank's business operations and employs a risk management framework which sets out the Bank's risk principles and strategies established to drive strong risk culture and consistent risk management practices across the Bank.
- (iii) **Talent Development and Performance Evaluation of Key Senior Officers.** Talent development and succession planning are key focus of the Board in ensuring a high performance workforce which contributes to the Bank's sustainability and competitiveness. The BNC and BRC have been entrusted by the Board to provide high level oversight and direction on human resource matters.
- (iv) **Internal Control.** The Board is responsible for ensuring the adequacy and integrity of the Bank's internal control system. With the support of the AC, Internal Control & Compliance, Risk Management and Internal Audit, the Board ensures that there is a process for reviewing the adequacy and effectiveness of the Bank's internal control system.
- (v) **Business Operations.** The Board provides clear objectives and policies within which senior management of the Bank is to operate. These cover all aspects of operations, including strategic planning, credit administration and control, asset and liability management encompassing the management of all risk categories, accounting system and control, service quality, information technology system, prevention of money laundering, adequacy of capital and human resource development.
- (vi) **Succession Plans.** The Board is responsible to oversee the selection, appointment, performance, remuneration and succession plans of the Chief Executive Officer, other members of senior management and senior officer(s) of the control function of the Bank.
- (vii) **Board Memberships and Board Committees.** The Board is responsible to approve the appointment of directors of the Bank, Chairman of the Board, Members of the Board committees as well as to ensure effective functioning of various Board Committees of the Bank and other Board committee as may be established by the Board, as deemed appropriate. The Board shall remain responsible for the decisions of the said committees.

## 2. Roles and Responsibilities of the Chairman

- 2.1 The Chairman is appointed by the Board with primary regard to his skills, expertise and experience relevant to the role. The Chairman of the Bank manages the affairs of the Board with the objective to ensure the Board functions effectively and meets its duties and responsibilities.
- 2.2 The Chairman ensures all Members of the Board have been given the

opportunities to express their views, opinions and ideas to facilitate a proper decision making process by the Board. In additions, the responsibilities of the Chairman are to ensure, among others:-

- (i) the Bank's policy, strategies and business plan are aligned with the business activities driven by the Management and are consistent with the Bank's objectives and missions;
- (ii) the proceedings of the Board are conducted orderly, where healthy deliberation is encouraged to reflect an appropriate level of scepticism and independence;
- (iii) the smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- (iv) all relevant issues are on agenda for Board Meeting and all Directors are able to participate in the Board activities;
- (v) the Board receives the necessary information on a timely basis from the senior management;
- (vi) promote effective relationships and open communication between the Board and senior management team, in relation to corporate governance matters and corporate performance; and
- (vii) the Board and individual directors fully exercise their responsibilities and fully comply with policies, laws, regulations, rules, directives and guidelines.

### **3. Roles and Responsibilities of the Directors**

- 3.1 In order to achieve the Board's objective, major commitment is required on the part of the Directors. The commitment carries with it a responsibility for a near perfect attendance at Board and Board Committee meetings, including specially called sessions and being sufficiently prepared to participate in the discussions.
- 3.2 The Directors must meet the fit and proper requirements relating to probity, personal integrity and reputation; competence and capability and be assessed annually in accordance with the Bank's Fit and Proper Policy.
- 3.3 In order to effectively discharge their duties, the Directors are responsible to, among others:-
  - (i) Be proactive in seeking more information within the Bank and the industry, in an effort to have a broad current knowledge so as to participate and contribute effectively in the meetings.
  - (ii) Exercise independent judgement when making decisions and act strictly in the best interest of the Bank and its shareholder generally. Directors are encouraged to be forthright in Board meetings, to question, request information or raise any issue of concern with the Board and Management.
  - (iii) Maintain confidentiality on Board discussions and deliberations. All confidential information received by a director in the course of the exercise

of his or her duties remains the property of the Bank. It is, therefore improper to disclose it or allow it to be disclosed, unless the disclosure has been authorised by the Board or required by law.

- (iv) Maintain the independence of the Board by being sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations. Directors must disclose in writing to the Board any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises, and in addition take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty.
- (v) Ensure that the financial statements give a true and fair view of the state of affairs of the Bank as at the end of the accounting period and of its financial performance and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that the preparation and fair presentation of these financial statements are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the CA 2016 in Malaysia in all material respects and other legal and regulatory requirements.
- (vi) Declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Bank or proposal that is of their interest and required to abstain from deliberations and decision of the Board.
- (vii) Continuously to update and keep themselves abreast with the industry development to facilitate the performing of their duties and responsibilities.

#### **4. Roles and Responsibilities of the CEO or MD**

- 4.1 The CEO or MD assumes the overall responsibility for the implementation of the Bank's strategy and in carrying out the Board's directions, managing the businesses of the Bank and driving performance within strategic goals and commercial objectives.
- 4.2 The key roles of the CEO or MD include, among others:-
  - (i) To head the senior management and leads the Management team in carrying out the business strategy, plan and vision of the Bank.
  - (ii) Accountable to the Board for the day-to-day management and operations of the Bank's business.
  - (iii) Implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board as well as in full compliance with the relevant laws and regulations.
  - (iv) Establishing a management structure that promotes accountability and transparency throughout the Bank's operations and preserves the effectiveness and independence of control functions.
  - (v) Promoting together with the Board, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour.

- (vi) Ensuring the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Bank is carried out with the highest standards of integrity and transparency for the benefit of all stakeholders.

## **V COMPOSITION AND BOARD BALANCE**

1. The Board is to comprise of Directors who provide a mixture of competencies that commensurate with the complexity, the size, the scope and operations of the Bank.
2. Non-executive Directors shall be persons of calibre and have necessary skills and experience to bring independent judgement to bear on the issues of strategy, performance and resources. BNM's Policy Document on Corporate Governance provides for the Board to comprise of majority of independent directors.
3. No individual should be allowed or seek to dominate the Board's deliberation or decision-making.
4. The Chairman of the Board shall be a Non-Executive Director.
5. Directors of the Bank are not allowed to appoint alternate director. The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the BNC.
6. All directors shall be subject to retirement by rotation in accordance with the AA of the Bank.

## **VI TENURE OF INDEPENDENT DIRECTORS**

1. The tenure of office of an Independent Director of the Bank should not exceed a cumulative term of six (6) years in principal, save and except for certain circumstance, his/her tenure could be extended up to a maximum term of nine (9) years on cumulative basis, if necessary.
2. Any appointment of Independent Director(s) of the Bank will be for a term of 3-year. Any re-appointment upon the expiry of term will be subject to the Board's approval.
3. For any tenure which is longer than the period as prescribed in Clause VI.1, an Independent Director may continue to serve on the Board if the Board has approved with recommendation from the BNC, after the assessment that the services of the Independent Director are still required by the Bank and that the Director concerned remains free from any business or other relationship with the Bank which could reasonably perceived to materially interfere with his/her exercise of unfettered and independent judgement.

The Board must justify and seek BNM's prior approval and/or shareholder's approval in the event he/she retains as an Independent director .

## **VII APPOINTMENT / RE-APPOINTMENT / RE-ELECTION / RESIGNATION / REMOVAL OF DIRECTORS / CHIEF EXECUTIVE OFFICER**

1. The appointment or re-appointment of Directors or CEO of the Bank shall be approved by the Board upon recommendation of BNC and subject to written approval from BNM.
2. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Bank.
3. Director/CEO must not be disqualified under Section 59(1) of the FSA 2013 or Section 198(1) of the CA 2016, and must have been assessed by the BNC to have complied with the Fit and Proper Policy of the Bank.
4. Any re-appointment of existing Directors should be based on the results of the individual assessments in addition to their normal interactions with their peers. The BNC also assesses the Directors based on their performance and contribution to the Board and Board Committees, their independence of view in respect of decision making, where deemed appropriate and time commitment. Once approved by the Board, the application for the re-appointment of Directors is submitted to BNM for its consideration.
5. The Bank shall notify BNM in writing of the appointment and re-appointment of Chairman and Directors of the Bank together with such documents or information as may be specified by BNM.
6. The tenure of appointment of Directors are also subject to other relevant provisions in relation to the appointment, re-appointment, resignation, retirement, disqualifications and removal as set out in the CA 2016, FSA 2013, BNM Guidelines, the Bank's AA and other regulatory requirements, if any.
7. Subject to the AA of the Bank, at every AGM one-third of the Directors for the time being or the number nearest to one-third, and those Directors newly appointed subsequent to the preceding AGM, shall retire from office and shall be eligible for re-election.
8. All resignation and removal of Independent Directors from the Board can only take effect after the written approval has been obtained from BNM so as to ensure the effective functioning of Independent Directors.

## **VIII BOARD MEETINGS**

### **1. Quorum**

At least 50% of the Board Members present in person are required to form the quorum of the meeting.

### **2. Frequency/Venue of Meetings**

2.1 The Board shall meet at least six (6) times a year. Additional meetings are to be held as and when necessary.

2.2 Board meetings will be held in Malaysia but could also be held overseas with the prior approval of the Chairman.

2.3 The meeting could either take place in a single physical location or by means of tele/video conferencing or similar communications system whereby all the participants can hear and address each other as provided in the AA of the Bank. However, attendance at Board meeting by way other than physical presence remains the exception rather than the norm.

3. Attendance at Meeting(s)

Individual directors must attend at least 75% of the board meetings held in each financial year or such other regulatory requirements, whichever is more stringent and must not appoint another person to attend or participate in a board meeting on his/her behalf.

4. Notice of Meetings

4.1 Approval from the Chairman of the Board is required for the convening of any Board Meeting(s) of the Bank. At least seven (7) days notice is required for any meeting but may be shortened by agreement of all members present who are sufficient to form the quorum of meeting.

4.2 Upon consultation with and/or approval by the Chairman of the Board, Meeting materials for the Board's consideration should be circulated to the Board members by the Company Secretary at the same time the agenda of meeting is circulated. If not available, the meeting materials should be circulated to the Board members no later than three (3) working days before the Board meeting.

5. Absence of the Chairman

The Board meeting will be presided over by the Chairman of the Board or such director nominated by the meeting in the absence of the Chairman of the Board.

6. Voting Procedures

Each member of the Board will have one vote and where matters are subject to voting, the decision will be by a simple majority. In the case of an equality of votes, the Chairman has a casting vote in addition to any other vote he may have. In order to avoid conflict of interest, the member shall abstain from voting on matters involving him/her.

7. Minutes

7.1 Minutes of each meeting should be kept and distributed to all the members of the Board.

7.2 A resolution in writing signed by a majority of the directors shall be as valid and effectual as if it had been passed at the meeting of the directors duly convened and held.

8. The proceedings of the Board Meeting as detailed in the TORs of the Board.

**IX BOARD COMMITTEES**

1. The Board of the Bank may from time to time establish Board Committees to assist it in carrying out its responsibilities and shall adopt Terms of Reference setting out matters



relevant to the composition, responsibilities and administration of such committees, and other matters that the Board may consider appropriate. A Board Committee Chairperson would be appointed for each Board Committee by the Board to provide effective leadership for the committee.

2. The Board has delegated some of its powers and functions to each of the following Board Committees to assist it in carrying out its responsibilities, to share detailed work and consider certain issues and functions with greater focus:-

- (i) Audit Committee
- (ii) Board Risk Management Committee
- (iii) Board Nomination Committee
- (iv) Board Remuneration Committee

3. The Chairmen of the AC, BRMC and BNC and BRC report to the Board on matters dealt with at their respective Board Committee meetings.

4. Minutes of the AC, BRMC, BNC and BRC are presented at the Board meetings for further notation. While Board Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by Board Committees will be brought to the attention of the Board, who is collectively responsible for the Bank's success, business, strategy, risk management, operational and financial performance.

5. **Audit Committee**

- 5.1 The AC assists the Board to provide independent oversight on the financial reporting, internal control system (i.e. ensuring checks and balances within the Bank), risk management functions and governance processes of the Bank.

- 5.2 The detailed roles and responsibilities of the AC as reflected in the TORs of the committee.

6. **Board Risk Management Committee**

- 6.1 The BRMC assists the Board to oversee Senior Management's activities in managing credit, market, liquidity, operational, legal, compliance and other relevant risks and to ensure that the risk management process is in place and function accordingly.

- 6.2 The detailed roles and responsibilities of the BRMC as reflected in the TORs of the committee.

7. **Board Nomination Committee**

- 7.1 The BNC assists the Board to provide a formal, transparent and consistent procedure to assess the Board and the committees, take charge of the fit and proper assessment, appointment/re-appointment of directors, board committee members, senior management and senior officer of control functions for recommendation to the Board for approval and the assessment of the effective performance thereof.

- 7.2 The detailed roles and responsibilities of the BNC as reflected in the TORs of the committee.

## **8. Board Remuneration Committee**

8.1 The BRC assists the Board to provide a formal, transparent and consistent procedure for developing remuneration policies for directors, CEO and other Senior Management and also to ensure the remuneration policies are consistent with the Bank's culture, objectives, strategy and risk appetite and appropriate to promote good corporate governance practices as well as in compliance with the relevant rules and regulatory requirements.

8.2 The detailed roles and responsibilities of the BRC as reflected in the TORs of the committee.

## **X BOARD EFFECTIVE EVALUATION**

The Board through the relevant Board Committee is responsible to undertake the assessment of the performance and effectiveness of the Board as a whole, Board Committees, Individual Directors and the independency of the Independent Directors, annually. This is to enable the Board to distinguish the Directors' strengths as well as to identify areas for professional development and process improvements for the Board, Board Committees and Individual Directors.

## **XI DIRECTORS' REMUNERATION**

1. The Bank aimed to set remuneration levels which are sufficient to attract and retain the Directors needed to run the Bank successfully, taking into consideration all relevant factors including function, workload and responsibilities involved.
2. The Directors' fees and any allowances payable are to be approved by the shareholder of the Bank.

## **XII DIRECTORS' TRAINING AND DEVELOPMENT**

1. Directors' training is an on-going process whether internally and/or externally to enable the Directors to develop and update their knowledge and skills required to fulfil their role both on the Board and Board Committees.
2. In addition to the Financial Institutions Directors' Education (FIDE) Core Programme as required by BNM, Board Members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Bank's operations and business.
3. The Directors received briefings and are updated with relevant new laws, rules and regulations, risk management, corporate governance and changes in accounting standards at the Board and Board Committee meetings.

## **XIII CODE OF ETHICS**

The Board observes the Bank's Code of Ethics which speak of ethical and moral behaviour that forming an integral part of minimising corporate risk and ensuring sustainability.

#### **XIV FINANCIAL REPORTING**

The Board is responsible to ensure that the financial statements are prepared for each financial year and that it gives a true and fair view of the state of affairs of the Bank. The financial statements are prepared on a going concern basis and the AC ensures that the financial statements comply with applicable financial reporting standards.

#### **XV COMPANY SECRETARY**

1. The Board appoints and/or removes the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.
2. The Company Secretary is accountable to the Board and Committees on all governance matters.
3. The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Bank.
4. The Company Secretary shall keep confidential the affairs of the Bank and its officers at all times except with the knowledge and consent of the Bank.

#### **XVI REVIEW OF THE BOARD CHARTER**

1. The principles set out in this Charter are to:
  - (i) keep under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities; and
  - (ii) apply in practice having regard to their spirit and general principles rather than to the latter alone.
2. The Board endeavours to comply at all times with the principles and practices set out in this Charter.
3. In this Charter, any reference to any provision of legislations, guidelines, circulars or directives shall include all amendments, modifications, consolidations or replacements as may be issued from time to time.
4. This Charter shall be reviewed as and when deemed appropriate to keep it up to date and consistent with the Board's objectives and responsibilities as well as relevant applicable regulatory and statutory requirements.

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