

# **Board of Directors Terms of Reference**

## **I. Objective**

The Board governs the businesses and affairs of the Bank with the assistance of the Senior Management of the Bank. It has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank and ensuring reasonable standards of fair dealing to protect the interest of the Bank and other stakeholders by monitoring the Management's performance in implementing the Bank's broad strategies, business plan and significant policies.

## **II. Composition**

1. The Board is to ensure its composition adhere strictly to the relevant rules and regulatory requirements.
2. The Board shall be chaired by a non-executive director who must not have served as a CEO of the financial institutions in the past five (5) years.

## **III. Roles and Responsibilities of the Board**

The roles and responsibilities of the Board would include:-

### **1. Business Direction**

- 1.1 To review and approve the strategic/business plans and budget for the Bank. The strategic business plans would include but not limited to the medium and long term strategic plan.
- 1.2 To ensure the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities and to provide oversight on the implementation thereof.
- 1.3 To determine the Bank's risk appetite and capital management framework and to ensure that the senior management is to discharge its responsibilities for the development and effective implementation of the Internal Capital Adequacy Assessment Process (ICAAP).
- 1.4 To approve new investment, divestment, mergers and acquisitions including the establishment of subsidiaries, joint venture or strategic alliances both locally and abroad.

### **2. Internal Controls, Risk Management and Governance Processes**

- 2.1 To formulate, review and approve effective and comprehensive risk management policies, processes and infrastructure to identify, measure, monitor and control all risk categories in the key areas of the Bank's operations which include but not limited to:
  - a) credit, market liquidity, operational, legal, reputation risks, etc;
  - b) credit operations;
  - c) treasury operations;
  - d) human resources development;
  - e) management information system; and

- f) anti-money laundering/counter financing terrorism (“AML/CFT”).
- 2.2 To approve and periodically review the risk management capabilities of the Bank to ensure that they are able to support the business expansion.
- 2.3 To ensure the operations of the Bank are conducted prudently and within the framework of relevant laws and policies by reviewing the adequacy and integrity of the Bank’s internal control systems.
- 2.4 To ensure an effective internal audit department staffed with qualified personnel to perform internal audit functions covering the financial and management audit.
- 2.5 To maintain an effective compliance function that routinely monitors compliance with policies approved by the Board and relevant laws and regulations.
- 2.6 To provide oversight on the overall AML/CFT measures undertaken by the Bank.

### **3. Business Operations**

- 3.1 To provide clear objectives and policies within which the senior management of the Bank is to operate. These should 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.
- 3.2 To provide oversight on the effectiveness of the data management of the Bank and to review any IT related matters that are deemed significant in the business operation of the Bank.
- 3.3 To approve the financial statements and declaration of interim dividend and recommend final dividend for approval by the shareholders of the Bank.
- 3.4 To affirm “exceptional credits” as stipulated in the Bank’s credit policies and to exercise veto power on credit proposition exceeding the prescribed limit as determined by the Board from time to time.
- 3.5 To approve the adoption of the shareholder’s mandate to be issued by the shareholder from time to time and the delegation of the authority, where appropriate, to the Chief Executive Officer of the Bank.
- 3.6 To establish policies governing related party transactions and conflicts of interest situations that prohibit activities and relationships that diminish the quality of corporate governance.

### **4. Management and Structure**

- 4.1 To approve the corporate organization structure and any subsequent changes thereof.
- 4.2 To approve the appointment of Senior Management and the determination of their remuneration thereof, where deemed appropriate.

4.3 To approve the appointment of the Company Secretary of the Bank and if necessary, a Secretary to the Board.

4.4 To oversee the selection, appointment, performance, remuneration and succession plans of the CEO, other members of Senior Management and heads of the control function of the Bank.

Note: Control function includes risk management function, compliance function and internal audit function.

4.5 To recommend the appointment/re-appointment or dismissal of external auditors of the Bank for approval by the shareholder.

4.6 To provide oversight on the overall remuneration policy and system of the Bank which is to be in line with the business and risk strategies, corporate values and long term interests of the Bank.

## **5. Board Memberships and Board Committee**

5.1 To approve the appointment/re-appointment of directors of the Bank and its subsidiaries(if any), Chairman of the Board and Members of the Board Committees. Any appointment of Independent Non-Executive Director(s) of the Bank will be for a term of 3-year. Any re-appointment upon the expiry of the term will be subject to the Board's approval.

5.2 To consider the remuneration package including director's fee payable to the Independent Non-Executive Director of the Bank and the recommendation thereof for approval by the shareholder, as deemed appropriate.

5.3 To formulate and approve the terms of reference of the Board and Board committees of the Bank as well as the delegation of the Board's powers to the Board committees as deemed appropriate from time to time.

5.4 To ensure effective functioning of various Board committees of the Bank including Audit Committee, Board Risk Management Committee, Board Nomination Committee, Board Remuneration Committee and other Board committee as may be established by the Board, where deemed appropriate. The Board shall remain responsible for the decisions of the said committees.

5.5 To assess the performance and effectiveness of the Board, Board Committee and individual directors.

## **6. Others**

6.1 To consider issues as may be referred to the Board by the Management, shareholder or stakeholders.

6.2 To carry out other duties in accordance with the Articles of Association of the Bank, uphold and observe banking and relevant laws/guidelines, rules and regulations.

6.3 To ensure that the Bank's activities are conducive towards promoting the economic well-being of its community and are in line with the government's economic objectives.

6.4 To review and approve the policies as deemed necessary.

## **V. Procedures and Meetings**

### **1. Frequency of meetings**

1.1 The Board should have at least six (6) meetings per year. Additional meetings are to be held as and when necessary.

1.2 Board Meeting(s) will be held in Malaysia but could also be held overseas with the prior approval of the Chairman of the Board.

### **2. Quorum**

At least 50% of the Board members must be present for a quorum.

### **3. Notice of Meeting**

3.1 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. An agenda will be sent to the Board members together with the notice of meeting.

3.2 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.

### **4. Chairman of the meeting**

4.1 The Board meeting shall be chaired by the Chairman of the Board. In the absence of the Chairman, the other members may elect one member amongst themselves to chair the meeting.

4.2 The chairman of the meeting shall take responsible steps for the proper functioning of the meeting.

### **5. Attendance at meetings**

5.1 Every member must devote sufficient time to prepare and attend Board meetings. Individual director must attend at least 75% of the Board meetings held in each financial year, and must not appoint another person to attend or participate in the meeting on his/her behalf.

5.2 The meeting could either take place in a single physical location or by means of tele/video conferencing or similar communication system whereby all the participants can hear and address each other as provided in the Articles of

Association of the Bank. However, attendance at the Board meeting by way other than physical presence remains the exception rather than the norm.

- 5.3 In all instances, the Board and individual director must ensure that deliberations are kept confidential. Any director shall abstain from participating in discussions and decisions on matters involving himself/herself.

## **6. Voting**

Each member of the Board will have one vote and where matters are subject to voting, a simple majority of vote shall be required to pass or defeat any resolution. In the case of an equality of votes, the Chairman has a casting vote in addition to any other vote he/she may have. Any member of the Board shall abstain from participating in voting on matters involving himself/herself.

## **7. Minutes**

- 7.1 Minutes of each meeting should be kept and distributed to all the members of the Board.
- 7.2 The Company Secretary shall prepare the minutes of meeting. In the event the Company Secretary is not present for the Board meeting, secretarial officer shall be present at the Board meeting to take minutes.
- 7.3 The minutes of Board meeting shall be clear, accurate and be maintained to record the decisions, key deliberations, rationale for decisions, significant concerns and dissenting views.
- 7.4 The minutes of meeting will be tabled at the next Board meeting for notation and confirmation by the Members of the Board. The minutes of meeting shall be signed by the Chairman or in the absence of the Chairman, by the Chairman of the meeting.
- 7.5 A resolution in writing signed by majority of the directors then entitled to receive notice of meeting of the Board, is as valid and effective as if it had been passed at the meeting of the Board duly convened.

## **8. Others**

- 8.1 Apart from the above, the Board meeting shall also be regulated in accordance with the Articles of Association of the Bank as well as the relevant rules and regulations governing the conduct of the meeting.
- 8.2 The terms of reference of the Board should be read in line with the Board Charter of the Bank.

The terms of reference of the Board will be reviewed as and when deemed appropriate so as to maintain its relevancy with the business operation of the Bank and in line with the regulatory requirements.