



BOARD CHARTER

JUUSK-CHT-0917-001-R-04

LEGAL & CORPORATE SECRETARIAT DEPARTMENT

RESTRICTED

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AMENDMENT RECORDS
BOARD CHARTER

Revision No.	Effective Date	Person-In-Charge	Changes
00	29 Sep 2017	Ummul Shirin Mohamed Thalha	Approved by the Board.
01	28 May 2019	Ummul Shirin Mohamed Thalha	<p>New clause under item 2.1(k) – overseeing the implementation of the Company’s governance framework and internal control framework which includes reviewing periodically the adequacy and the integrity of the Company’s internal control systems, and management information systems; to ensure these remain appropriate in light of material changes to the size, nature and complexity of the Company’s operation</p> <p>Amend full name of AEC from Audit Committee to Audit and Examination Committee.</p> <p>Reflect the change of name and roles and responsibilities</p> <ul style="list-style-type: none"> (i) Change from Nomination Committee and Remuneration Committee with “Nomination and Remuneration Committee”. (ii) Merge the roles and responsibilities of Nomination and Remuneration Committee. <p>Delete the entire item 3.2 c(iii) – not applicable to the Bank.</p>
02	30 Oct 2020	Ummul Shirin Mohamed Thalha	<p>Amended Clause – Para 2.1(a), 2.1(c), 2.1(d), 2.1(e), 2.1(f), 2.1(i), 2.3, 2.6, 2.17, 3.1, 3.2, 3.2(a)(ii), 3.2(b)(i), 4.4(f), 5.6, 6.2(c), 6.2(d), 8.2(a), 8.2(b), 8.2(c), 8.3(d), 9.7, 10.1, 10.2, 10.5 and 11.1.</p> <p>New Clause insertions – Para 2.1, 2.1(g), 2.1(j), 2.1(k), 2.1(l), 2.1(m), 2.1(n), 2.1(o), 2.7, 2.8, 2.10, 2.11, 2.12, 2.13, 2.14, 2.15, 2.16, 5.1, 5.2, 5.3, 6.2(e), 6.2(f), 6.2(l), 6.3, 7.4, 7.5, 8.2(d), 8.7, 8.8, 8.9, 9.2, 9.6, 13.3, 13.4, 13.5, 14.1, 17.1, 17.2, 17.3 and 17.4.</p>
03	28 Sep 2021	Ummul Shirin Mohamed Thalha	<p>Amended Clause 2.1(m) – addition of roles and responsibilities of the Board for Shariah matters.</p> <p>Amended Clause 3.2(b)(ii) – addition of remuneration structure packages for the Shariah Committee members.</p> <p>New Clause 3A – added the delegation of Shariah matters to the Shariah Committee.</p> <p>New Clause 17.1(f) – added disclosure of Shariah governance by the Board.</p>

Revision No.	Effective Date	Person-In-Charge	Changes
04	28 Nov 2024	Ummul Shirin Mohamed Thalha	<ol style="list-style-type: none"> 1. Amended Clause 1.2(c) – Updated BNM policy documents Page 7 2. Incorporation of Corporate Strategic Plan (CSP) clauses in Clause 2.1(a) (i), 2.1(a) (x) & 2.1(2) (xi). Page 7 - 8 3. Incorporation of Board Diversity clauses in Clause 2.1(a) (v), 2.2(e) & 2.3 Page 7 - 10 4. Amended Clause 2.2(b) – Updated minimum number of directors Page 9 5. Addition of Clause 2.5(a) Page 12 6. Addition of Clause 11.7 Page 22



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1.0 INTRODUCTION

- 1.1 This Board Charter sets out the composition, mandate, responsibilities and procedures of the Board and the Board Committees in accordance with the principles of good corporate governance set out in the Charter documents and guidelines issued by Bank Negara Malaysia (BNM) and relevant regulatory authorities.
- 1.2 The Charter shall be read together with all relevant statutes, policies and guiding documents as follows but not limited to:
- a) Development Financial Institution Act 2002
 - b) BSN Act 1974
 - c) BNM policies and guidelines, including the BNM Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Financial Institutions (AML/CFT/CPF and TFS for FIs) policy documents; and
 - d) BSN policies and guidelines

2.0 BOARD OF DIRECTORS

2.1 Roles and Responsibilities of the Board

- a) The Board is the ultimate decision making authority of Bank Simpanan Nasional (“Bank”) with the overall responsibility for promoting the sustainable growth and financial soundness of the Bank in fulfilling its mandate, 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 decisions on the Bank and its customers, depositors, members, officers and the general public. The key responsibilities of the Board are as follows:
 - i) Approves the Bank’s risk appetite, business plans, strategic plans and other initiatives based on the approved Corporate Strategic Plan (CSP) which would singularly or cumulatively have an impact on the financial soundness, reputation or key operational controls, risk profile of the Bank and continuing ability to support its mandate;
 - ii) Approves the Bank’s annual budget and carry out periodic reviews of the achievements by the various operating departments against their respective business targets;
 - iii) Approves policies of the Bank and oversees the establishment of procedures governing the Bank;
 - iv) Provides oversight over the Bank’s business operations and financial performance;
 - v) Determining the general composition of the Board (size, skill and balance between executive directors and non-executive directors) in order to ensure that the Board consists of the requisite diversity of skills, experience,

cultural background, gender diversity, and other core competencies required;

- vi) Oversees the selection, performance, compensation and succession plans for the post of Key Senior Officers¹ and other members of the senior management (collectively referred to as “Senior Management”) in alignment with the assignment of responsibility areas, such that the Board is satisfied with the collective competence of the Senior Management to effectively lead the operations of the Bank;
- vii) Promotes together with Senior Management, a high performance culture within the Bank which reinforces ethical, prudent and professional behaviour. This shall include ensuring that the Senior Management implements and monitors policies and procedures that prevent activities and relationships inconsistent with sound governance, effectively addresses conflicts of interest situation, prohibits corrupt dealings and ensures arm’s length dealings with connected parties and other interested entities;
- viii) Ensuring the Bank incorporates and upholds ESG principles in its strategy and decision-making processes. The Board is also responsible for overseeing and reviewing the Bank’s ESG strategy and initiatives, ensuring they are aligned with both regulatory requirements and stakeholders’ expectations. The Board may establish or appoint a dedicated committee to oversee and guide the Bank’s ESG initiatives.
- ix) Oversees and approves the recovery and business continuity plans for the Bank to restore its financial strength, critical operations and critical services when it comes under stress;
- x) Performs review, challenges and approves the CSP developed by the Senior Management. This ensures that the objectives agreed upon within the CSP are translated into precise measures and targets, including but not limited to additionality indicators;
- xi) Oversees the effective implementation of the CSP and conducts regular monitoring and review of performance targets, providing constructive feedback for continual improvement.
- xii) Promotes the timely and effective communication between the Bank, BNM and stakeholder ministries on matters affecting or that may affect the safety, soundness and mandate of the Bank on all relevant matters;
- xiii) Performs regular review on the Bank’s mandate, taking into account changes in the economy and financial system. Where relevant, the Board shall make recommendations to the Government in consultation with BNM, for a review

¹ ‘Key Senior Officers’ includes the Chief Executive, Chief Operating Officer, Chief Business Officer, Chief Financial Officer and control function heads of the Bank. ‘Control function’ refers to a function that has a responsibility independent from business lines to provide objective assessments, reporting and assurance on the effectiveness of the Bank’s policies and operations, and its compliance with legal and regulatory obligations. This includes the risk management function, the compliance function, the internal audit function and the integrity and governance function.

of its mandate;

- xiv) Oversees the governance arrangements to promote transparency and accountability in the management and decision-making processes within the Bank, and ensures that the Chief Executive effectively implements the governance arrangements across all functions of the Bank;
- xv) Oversees the development and effective implementation of a performance measurement framework for the Bank that is aligned with its mandate;
- xvi) Provides oversight function in ensuring robust Shariah governance framework that commensurates with the size, complexity and nature of the Bank's business. The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of the Bank. Reference shall be made to the BSN Shariah Governance Policy. The duties of the Board shall include:
 - to take into consideration the facts, rationale and basis for any decisions or advice of the Shariah Committee before arriving at its own decision;
 - to give fair consideration to the implications of implementing any decisions or advice of the Shariah Committee;
 - to put in place a conflict resolution mechanism² to deal with any differences in views between the Board and the Shariah Committee;
 - to maintain a record of deliberations between the Board and the Shariah Committee in matters where the differences in views exist, and its resolution;
- xvii) Acts in the best interest of the Bank, free from any undue external influence which could undermine the Bank's approved mandate and financial soundness; and
- xviii) Oversees all regulatory and/ or compliance matters including but not limited to AML/CFT/CPF and Connected Party Transactions (CPT).

2.2 Composition of the Board

- a) The Board and the Board Committees must be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the work of the various Board Committees to be discharged without giving rise to an over extension of Directors that are required to serve on multiple Board Committees.
- b) The Board shall have a minimum of **seven (7)** directors with at least **three (3)** of the Directors meeting the prerequisite of having banking / accounting experience

² Reference can be made to the conflict resolution mechanism stated in the BSN Shariah Governance Policy.

with a minimum of **five (5)** years working experience at a Senior Management level in the discipline of banking, insurance, takaful, or investment. The Board shall have no more than **nine (9)** directors at any one time.

- c) The Board shall not have more than **one (1)** Executive Director unless BNM otherwise approves in writing.
- d) The Board shall comprise of a majority of Independent Directors at all times unless BNM otherwise approves in writing.
- e) The Board shall collectively possess a diverse range of financial and other relevant skills, along with extensive experience and knowledge, to effectively oversee the Bank's operations. While sustainability expertise is not a mandatory requirement for all Directors, such knowledge is considered an asset that contributes to the Board's overall effectiveness. In selecting candidates, the process will consider a blend of skills, experience, academic qualifications, cultural backgrounds, and gender diversity. This comprehensive approach ensures a well-rounded and inclusive Board, capable of addressing the evolving needs and strategic priorities of the Bank.
- f) The Board shall establish and regularly review succession plans for the Board to promote board renewal and address any vacancies.

2.3 Board Gender Diversity

- a) The Bank recognizes that diverse perspectives and experiences significantly contribute to the effectiveness and governance of the Board. Therefore, the Board is dedicated to fostering gender diversity within its composition. In selecting candidates for Board positions, gender diversity is a key consideration alongside other critical criteria such as skills, experience, cultural and academic background. This commitment aims to enhance decision-making processes, promotes inclusive leadership, and creates a more dynamic and equitable Board that drives sustainable growth and better reflects the communities the Bank serves. This approach aligns with the Bank's values as a development financial institution and strengthens its governance framework to better achieve the Bank's mission and strategic objectives.

2.4 New Appointment, Re-appointment, Removal and Resignation of Directors

- a) Prior to the appointment or re-appointment of a Director, the Director must have been assessed by the Board Nomination and Remuneration Committee of the Bank to have complied with the applicable fit and proper requirements. The Fit and Proper Policy Document should be read together as it elaborates factors to be considered in the assessment of candidates for appointment to the Board.
- b) The proposed appointment of a new Director is subject to the approval of BNM and the Ministry of Finance, and the term of appointment shall be as specified by BNM in its approval. The proposed re-appointment of a Director, upon expiry of his / her current term is subject to the approval of BNM and the Ministry of

Finance. The Board Nomination and Remuneration Committee is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM is due to expire, and submitting their recommendation to the Board for decision on the submission of application to BNM for the proposed re-appointment of the Director concerned.

- c) Each Director must be assessed against the requirements set out in Clause 2.4(a) and 6.1(a) - 6.1(c) herein, the fit and proper requirements, and the disqualification factors under section 7 of the Development Financial Institutions Act 2002 (DFIA Act) and / or under section 8(4) and 8(5) of the Bank Simpanan Act 1974 (BSN Act), at least annually, and as and when the Board becomes aware of information that may materially compromise the Director's fitness and propriety, or any circumstance that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his / her responsibilities.
- d) A Director must immediately disclose to the Board any circumstance that may affect his/ her ability to meet the above requirements.
- e) The Board must ensure that each Director acknowledges the terms of his/ her appointment or re-appointment, which must include –
 - i) the roles and responsibilities of the Director, including those arising from his / her membership in any Board Committee;
 - ii) the tenure of the appointment or re-appointment;
 - iii) provisions for the Director's termination if he / she becomes disqualified by virtue of section 7(1) of the DFIA and /or section 8(4) and 8(5) of the BSN Act; and
 - iv) provisions for the Director's removal if –
 - he no longer meets the requirements set out in in Clause 2.4(a) and 6.1(a) - 6.1(c) herein, or the fit and proper requirements; or
 - has been assessed to be ineffective, errant or otherwise unsuited to carry out his / her responsibilities.
- f) The Board must determine whether an individual to be appointed as an Independent Director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his / her independent judgement. An individual must not be considered to be an Independent Director if he / she or any person linked to him / her –
 - i) has been an executive of the Bank in the last **two (2)** years;
 - ii) is a substantial shareholder of the Bank or any of its affiliates;
 - iii) is a representative of the stakeholder Ministry of the Bank; or

- iv) has had a significant business or other contractual relationship³ with the Bank or any of its affiliates within the last **two (2)** years.
- g) The Bank must notify BNM before the removal or resignation of an Independent Director. The notification shall include reasons for the removal or resignation including where relevant, details of specific circumstances leading to the removal or resignation. The removal or resignation of the Independent Director shall not take effect until BNM has communicated to the Bank that it has no objection to the removal or resignation.
- h) Except where the removal, termination or resignation of an Independent Director is made pursuant to section 8 of the DFIA and / or section 8(4) and 8(5) of the BSN Act and notwithstanding the above –
- i) the Bank shall not remove or terminate an Independent Director from his / her office; and
- ii) an Independent Director shall not be removed from his / her office,
- if, by such removal, termination or resignation, the Independent Directors cease to be a majority of the Board.
- i) Unless the written approval of the Minister has been obtained –
- i) the Bank must not publicly announce the proposed appointment or reappointment of a Director; and
- ii) a Director whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such capacity, including by participating in board meetings or holding himself / herself out as a Director.

2.5 Tenure of Directors

- a) A Director shall hold office for a term not exceeding three years and shall be eligible for reappointment.
- b) The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank. For the avoidance of doubt, cumulative term shall mean consecutive terms not exceeding nine (9) years.
- c) Upon completion of nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Non-

³ 'significant business or other contractual relationship' refers to any transaction engaged with the Bank and or its affiliates, whether with other persons or through a firm or a company of which he is a partner, director or majority shareholder, where the value of which exceeds RM1 million and an aggregated value of RM3 million per annum. However 'transactions' as stated above shall exclude the following transactions:

- For personal use of the said Director;
- For personal investment of the said Director except for the purpose of carrying on a trade or business; or
- Normal banking transactions other than loans and advances provided that such transactions are on normal commercial terms.



Executive Director and assessment of the Board Nomination and Remuneration Committee.

- d) Under exceptional circumstances, the Board may justify and seek the approval of the Ministry of Finance and Bank Negara Malaysia in the event it seeks to retain an Independent Director who has served in that capacity for more than **nine (9)**.

3.0 SCHEDULE OF MATTERS RESERVED FOR DECISION OF THE BOARD

3.1 The Board reserves specific powers to itself and may delegate authority on other matters to the Management of the Bank.

3.2 The list of matters reserved for the collective decision of the Board is as specified below. The list of matters is not exhaustive and may be varied, or amended from time to time as may be determined and approved by the Board.

- a) Board structure
 - i) Appointment and removal of directors based on recommendations of the Board Nomination and Remuneration Committee and subject to the relevant laws and regulations;
 - ii) Appointment and removal of Key Senior Officers and the Company Secretary;
 - iii) Establishment and/ or dissolution of Board Committees; appointment or cessation of their members based on the recommendation of the Board Nomination and Remuneration Committee; and
 - iv) Terms of Reference of Board Committees and amendments to such terms.
- b) Remuneration Matters
 - i) Recommendation of allowances for the Non-Executive Directors for the approval of the Ministry of Finance;
 - ii) Recommendation of allowances and benefits for the Shariah Committee members that commensurate with the accountabilities, duties and responsibilities of the Shariah committee;
 - iii) Remuneration structure packages for the Key Senior Officers; and
 - iv) Determination of the size of bonus pools as part of the Bank's annual plan based on consideration of pre-determined business performance indicators and the financial soundness of the Bank, as well as the distribution of the said bonus pool.
- c) Operational, Planning and Investments
 - i) Approval of investment or divestment of a capital project which represents a significant diversification from the Bank's existing business activities;

- ii) Approval of the write off of bad debts exceeding Management's authority; and
 - iii) Oversees the performance and succession plans of the Chief Executive and the Senior Management.
- d) Financial
- i) Annual financial statements based on the recommendation of the Board Audit Committee;
 - ii) Approves dividend amount in line with the Bank's Dividend Policy;
 - iii) Adoption of accounting policies in line with Malaysian Financial Reporting Standards;
 - iv) Effectiveness of the Bank's system of internal controls; this function is delegated to the Board Audit Committee, which will in turn report to the Board on its findings;
 - v) Approval of the review on adequacy and effectiveness of the Bank's system or risk management and internal controls; and
 - vi) Approval of any discretionary powers and limits including those relating to operational expenses and the delegation of such authority as well.
- e) Other Matters
- i) Any other matters which may require the approval of the Board as stipulated under any law, rule, regulation or guidelines, circular or directive of any relevant authority.

4.0 SHARIAH MATTERS

4.1 The Board is responsible for the oversight on Shariah governance and compliance of the Bank. The Board hereby delegates its authority on Shariah matters to the BSN Shariah Committee as follows:

- a) Approval and review of adequacy and effectiveness of the Bank's Shariah governance framework encompassing Shariah compliance, Shariah risk management, system and internal controls to prevent any Shariah Non-Compliance (SNC);
- b) Approval and oversight of operating procedures relating to Shariah matters of the Bank;
- c) Establishment of reporting arrangements for the Board to be kept informed of the Shariah Committee's key deliberations and decisions on delegated matters;
- d) Establishment of development plans for the Shariah Committee members and to ensure sufficient resources for continuous development of skills and expertise of the Shariah Committee; and



- 4.2 The Board must establish a rigorous process for the appointment, reappointment and cessation of Shariah Committee members.
- 4.3 For the avoidance of doubt, the Board shall remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility to the Shariah Committee, as per Clause 2.1(a) (xvi) above.

5.0 CHAIRMAN OF THE BOARD

5.1 Criteria of Chairman

- a) The position of the Chairman shall be held by a Non-Executive Director, who shall also be an individual different from the individual who holds the position of the Chief Executive and must not have served as Chief Executive of the Bank in the **five (5)** years preceding his / her appointment as Chairman.
- b) The Chairman shall be appointed for a term not exceeding **five (5)** years and shall be eligible for reappointment.

5.2 Roles and Responsibilities of Chairman

- a) The Chairman carries out a leadership role in the conduct of the Board and its relations with stakeholders.
- b) To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities between the Chairman and the Chief Executive, so that no individual or group dominates the decision-making process.
- c) The role of the Chairman is to:
- i) Ensure the smooth functioning of the Board and the governance structure, and inculcating a positive culture in the Board;
 - ii) Ensure that appropriate procedures and processes are in place to govern the Board's operation;
 - iii) Ensure that Board meetings are effective in that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board; and that Directors receive the relevant information on a timely basis, including being properly briefed on issues at Board meetings;
 - iv) Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed;
 - v) Guide and mediate the Board's actions with respect to organizational priorities and governance concerns;
 - vi) Ensure that the Board functions in accordance with the Board Charter;



and

- vii) Lead efforts to address the Board's development needs.

6.0 DIRECTORS

6.1 Criteria of Directors

- a) A Director of the Bank must not have competing time commitments that impairs his / her ability to discharge his/ her duties effectively. The Director may only maintain a maximum of **five (5)** external professional commitments in public listed companies and shall not hold more than **fifteen (15)** external professional commitments on board of trustees, advisory boards/ panels and board of directors of non-public listed companies unless otherwise approved by the Board on a case-by-case basis.
- b) A Director of the Bank must not be an active politician.
- c) A Director must not be the officer directly involved in the engagement or a partner of the firm appointed as the external auditor of the Bank. He / she must not serve or be appointed as a Director of the Bank until at least **two (2)** years after:
 - i) He / she ceases to be an officer or partner of that firm; or
 - ii) the firm last served as an auditor of the Bank.

6.2 Roles and Responsibilities of Directors

- a) A Director must devote sufficient time to prepare for and attend Board meetings, and maintain a sound understanding of the business of the Bank as well as relevant market and regulatory developments. This must include a commitment to ongoing education.
- b) A Director must attend at least **seventy-five percent (75%)** of the Board meetings held in each financial year, and cannot appoint another person to attend or participate in a board meeting on his / her behalf.
- c) An Independent Director must immediately disclose to the Board any change in his / her circumstances that may affect his / her status as an Independent Director. In such a case, the Board shall reconsider his / her designation as an Independent Director and inform BNM in writing of its decision to affirm or change his / her designation.

7.0 CHIEF EXECUTIVE

- 7.1 The Chief Executive assumes the overall responsibility for the proper administration and management of the Bank, 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. The Chief Executive is to lead the management team in carrying out the corporate strategy and vision of the

Bank. As the Chief Executive, he is accountable to the Board for the day-to-day management and operations of the Bank's business.

7.2 The specific responsibilities of the Chief Executive include:

- a) Developing strategic direction;
- b) Ensuring business and risk strategies and corporate policies are effectively implemented in accordance with the direction given by the Board;
- c) Establishing an effective management structure that promotes accountability and transparency throughout the Bank's operation and preserves the quality and independence of control functions;
- d) Ensuring that the distribution of responsibilities to the Senior Management is aligned with the Bank's strategies;
- e) Ensuring accountability for all operations of the Bank including control functions are clearly identified and allocated to the appropriate key individuals who have the professional competence, authority and accountability to manage these operations. The allocation of responsibilities must be supported by documentation that is comprehensive, kept up-to-date and made readily available to BNM upon request;
- f) Ensuring and identifying a balance between individual accountabilities of each individual in the Senior Management and the shared responsibility and collective decision making of the Senior Management;
- g) Providing directions in the implementation of short and long term business plans;
- h) Providing strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;
- i) Keeping the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members;
- j) Regularly updating the Board with the material information it needs to carry out its oversight responsibilities, particularly on matters relating to:
 - i) the performance, financial condition and operating environment of the Bank;
 - ii) internal control failures, including breaches of risk limits; and
 - iii) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.
- k) Ensuring the day-to-day business affairs of the Bank are effectively managed;
- l) Promoting, together with the Board, a high performing corporate culture within the Bank which reinforces ethical, prudent and professional behaviour; and
- m) Addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner.



- 7.3 The Bank must have a Chief Executive at all times and he/ she must devote the whole of his / her professional time to the service of the Bank and shall not carry on any other business or vocation, except as a non-executive director or shareholder of another company. The Chief Executive must not hold non-executive directorships in more than **five (5)** entities other than the Bank unless the Bank's prior approval is obtained.

8.0 COMPANY SECRETARY

- 8.1 The Board shall ensure it is supported by a suitably qualified and competent Company Secretary of the Board, who must meet the fit and proper requirements relating to:
- probity, personal integrity and reputation; and
 - competence and capability.
- 8.2 The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary shall provide counsel to the Board on governance matters and facilitates effective information flows between the Board, the Board Committees and Senior Management.
- 8.3 The appointment and removal of the Bank's Company Secretary must be approved by the Board.
- 8.4 The Company Secretary shall keep confidential the affairs of the Bank and its officers at all times. Accordingly, where the Company Secretary also serves as Company Secretary for the Bank's affiliates, he / she shall not disclose the affairs of the Bank or its officers to the affiliates except with the knowledge and consent of the Bank.
- 8.5 The Company Secretary must not have competing time commitments that may impair his / her ability to discharge his / her duties effectively except where the responsibilities do not conflict with his / her responsibilities to the Board. Unless BNM approves otherwise in writing, the Company Secretary of the Bank must devote the whole of his / her professional time to the affairs of the Bank and its affiliates.

9.0 BOARD COMMITTEES

- 9.1 The Board has established Committees to assist the Board in exercising its roles and responsibilities.
- 9.2 The Board Committees are:
- Board Audit Committee (BAC)
 - The key responsibilities of the BAC are to ensure high corporate governance practices whilst providing insight on the Bank's financial reporting, disclosure, regulatory compliance, risk management and monitoring of internal control processes within the Bank. The BAC meets regularly to amongst others, review the quarterly results, full year financial statements, banking regulations, AML/CFT/CPF matters, audit reports

which include observations pertaining to risk management and internal controls, as well as related party transactions. In the event of any vacancy in the BAC that results in non-compliance with the listing requirements, that vacancy must be filled within **three (3)** months.

- ii) The BAC reports to the Board, regularly, on work carried out, key deliberations and decisions taken on delegated matters.
- b) Board Risk Management Committee (BRMC)
- i) The BRMC assists the Board in, among others, formulating and reviewing the risk strategy of the Bank, approving and reviewing the Bank's risk management policies, setting risk appetite, reviewing risk profile and ensuring a "risk-awareness" culture is embedded in the Bank.
 - ii) The BRMC reports to the Board regularly on work carried out, key deliberations and decisions taken on delegated matters.
- c) Board Nomination and Remuneration Committee (BNRC)
- i) The BNRC oversees the nomination and appointment process of Directors, Shariah Committee members and Senior Management of the Bank and undertakes individual assessment of Directors and Shariah Committee members eligible for new appointment and re-appointment prior to submission to regulators for approval. It also reviews the procedure for appointment of Directors, Board Committees, Shariah Committee members and Senior Management of the Bank.
 - ii) The BNRC oversees the process of developing a remuneration policy for Directors, Shariah Committee members and Key Senior Officers and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.
- d) Board Tender Committee (BTC)
- i) The key responsibilities of the BTC is to ensure high corporate governance practices whilst providing insight and oversight on the Bank's procurement policies, management and processes. The BTC is governed by the Bank's Procurement Policy and derives its own decision-making authority from the said policy.

9.3 The Board Committees must:

- a) have at least **three (3)** Directors;
- b) have a majority of Independent Directors;
- c) be chaired by an Independent Director;
- d) not be chaired by the Chairman of the Board in order to promote robust and open deliberations by the Board on matters referred by the Board Committees; and



- e) comprise of Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee.
- 9.4 The Board Committees must not have any Executive Director in its membership.
- 9.5 The Board may establish additional Board Committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.
- 9.6 The Board shall approve the terms of reference of the existing and additional Board Committees, which shall set out the roles and responsibilities of each Committee, having regard to its membership and composition against skills and experience.
- 9.7 The Board shall remain fully accountable for any authority delegated to the Board Committees.
- 9.8 The Board must ensure that the mandate and operating procedures for each Board Committee are set out in the Board Charter and clearly:
- a) delineate the areas of authority delegated to the Board Committee; and
 - b) define reporting arrangements for keeping the Board informed of the Board Committee's work, key deliberations and decisions on delegated matters.
- 9.9 The Bank must provide the Board Committees with sufficient support and resources required to investigate any matter within their mandates.

10.0 PROCEDURES OF THE BOARD

10.1 Board Meetings and Attendance

- a) The Board shall meet at least **twelve (12)** times in each financial year, or more frequently as circumstances dictate. Special Board Meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's immediate review or consideration.
- b) The Bank must ensure that attendance at a board meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

10.2 Board Papers, Minutes of Meeting and Supply of Information

- a) The agenda and relevant papers for the Board meeting must be issued at least **five (5)** days prior to each of the Board meetings to allow sufficient time for Directors to consider the relevant information.
- b) The discussions and conclusions of the Board meetings shall be minuted, in a clear, accurate, consistent, complete and timely manner. The minutes shall record the decisions of the Board, including key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any Director abstained from voting or excused himself from



deliberating on a particular matter. The draft minutes shall be tabled at the following meeting for confirmation and signing.

- c) Reproduction of any part of the minutes can only be performed through and / or by the Company Secretary.
- d) The Board shall establish appropriate arrangements to ensure that it has access to all relevant information, advice and resources necessary to enable it to carry out its role effectively as and when required, which may include obtaining advice from third party experts with cost of such advice borne by the Bank. As part of these arrangements, the Board must ensure that significant issues and developments are brought before the Board for its information and consideration.

10.3 Quorum of Meetings

- a) The quorum for Board meetings must require that at least **half (1/2)** of the Board members to be present, of which a majority must be represented by Independent Directors.

11.0 CONFLICTS OF INTEREST & RELATED PARTY TRANSACTIONS

11.1 A Director who has an interest, directly or indirectly, in a material transaction or material arrangement with the Bank, or in any matter being or about to be considered by the Bank, shall disclose the nature and extent of his / her interest at the first meeting of the Board at which he / she is present after the relevant facts have come to his / her knowledge. If such material⁴ transaction or material arrangement is being deliberated during a board meeting, the Director concerned shall be abstained from the meeting during such deliberations and be disregarded for the purpose of constituting a quorum of the Board for such deliberation or decision.

11.2 Directors representing the interests of a stakeholder Ministry on the Board of the Bank shall have the same duties and responsibilities as other Board members and are expected to avoid any action, positions or interest that conflict with an interest of the Bank, or give the appearance of a conflict. In the event of any conflict between his / her duty to act in the best interest of the Bank and his / her duty to the stakeholder Ministry which he / she is representing, his / her duty to the Bank shall prevail. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Bank shall declare the Director's interest.

11.3 Should there be an actual, potential or perceived conflict of interest between the Bank or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, the Director involved shall make full disclosure and act

⁴ 'Material' shall mean –

- (a) an existing or proposed transaction or arrangement will be considered "material" if it is one which a director is required to declare under section 221 of the Companies Act 2016 or in its specific establishment act/ legislation, whichever is the lower threshold, unless the director or any person linked to him cannot reasonably be expected to derive a benefit or suffer a detriment from the transaction or arrangement in a way that will place the director in a position of conflict; and
- (b) an interested director must make the disclosure by way of a written notice to all members of the board and the company secretary –
 - (i) as soon as practicable after being aware or the relevant facts have come into his knowledge of his interest in the material transaction or arrangement; and
 - (ii) if the material transaction or arrangement is being deliberated at a board meeting, before the commencement of that deliberation.



honestly in the best interest of the Bank.

- 11.4 Register of dealings in securities and declarations of interest by Directors and report them to the Board as necessary.
- 11.5 The BAC shall review and update the Board on all related party transactions.
- 11.6 The Company Secretary shall facilitate the Directors' annual Independence and Conflict of Interest Declarations, which allow the Directors to perform an annual self-declaration on Independence (i.e. for Independent Directors) and conflict of interest (i.e. for all Directors). This exercise may constitute part of the Board Effectiveness Evaluation.
- 11.7 Directors must abstain from participating in meetings where a conflict of interest arises, with such abstention duly recorded in the meeting minutes for transparency and accountability.

12.0 FINANCING FACILITIES TO CONNECTED PARTIES

- 12.1 The Board shall ensure that when entering into transactions with connected parties, the transactions are at arm's length basis, and shall adhere to the principles as per the Financing to Connected Parties Policy.

13.0 DECLARATION OF ASSETS

- 13.1 The Directors shall be required to declare their assets annually, including those held under the name of their spouse(s) or children.

14.0 BOARD PERFORMANCE

14.1 Assessment on Criteria, Skill Set, Qualification and Fit & Proper

- a) The Board, with the assistance of the BNRC, shall determine and regularly review the composition of the Board having regard to the optimum number and skill mix of Directors.

14.2 Board Effectiveness Evaluation

- a) On an annual basis, the Board, with the assistance of the BNRC, shall evaluate its own performance and the extent to which the Board has met the requirements of its Board Charter, including the Board Effectiveness Evaluation on the Board as a whole, Board Committees and individual Directors.
- b) The Board must carry out the Board Effectiveness Evaluation to objectively assess the performance and effectiveness of the Board, Board Committees and individual Directors. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Bank.

- c) The Board must dedicate sufficient resources toward the on-going development of its Directors. This must include dedicating an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each director possesses the knowledge and skills necessary to fulfil his / her responsibilities, including his / her knowledge in Islamic finance and Shariah banking matters.
- d) The Board must engage external consultants or experts to assist in and lend objectivity to the Board Effectiveness Evaluation at least once in every **two (2)** years or such other intervals as may be approved by BNM.

15.0 ETHICAL STANDARDS

- 15.1 The Board must ensure that the Bank provides guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity in reporting, and the fair treatment of customers.

16.0 REVIEW OF THE COMMITTEE TERMS OF REFERENCE

- 16.1 The Terms of Reference for all Board Committees shall be reviewed periodically, at least once in every **three (3)** years or as and when necessary.

17.0 REVIEW OF BOARD CHARTER

- 17.1 The Board Charter shall be reviewed periodically, especially when there are changes to the DFIA or new standards issued by BNM in relation to corporate governance standards or at least once every **three (3)** years. This review shall be facilitated by the Company Secretary, the Chief Compliance Officer, the Chief Risk Officer and the Chief Internal Auditor, where relevant.
- 17.2 The Board shall periodically review and update the Board Charter in accordance with the needs of the Bank and any new regulations that may have impact on the discharge of the Board's responsibilities.

18.0 CORPORATE GOVERNANCE DISCLOSURES

- 18.1 The Bank is under regulatory obligation to disclose information on its corporate governance policies and practices and such disclosures shall include –
 - a) the composition, function and conduct of the Board;
 - b) the internal control framework;
 - c) the qualitative and quantitative disclosures of the mandate and performance measurement framework;
 - d) the particulars of, and the reasons for, any gaps in relation to the requirements set

out in this Charter;

- e) a description of the measures taken, or that will be taken, to address the gaps; and
- f) disclosure by the Board on its oversight accountability for Shariah governance implementation and the Bank's overall compliance with Shariah.

18.2 The Board must ensure that the corporate governance disclosures are accurate, clear and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

18.3 The Bank shall ensure that the corporate governance disclosures are –

- a) laid before the Parliament as an appendix to the Directors' report;
- b) published on its website; and
- c) published in its annual report.

18.4 The Bank shall publish on its website its Board Charter and updated details on its Board composition.