



## BOARD CHARTER

### CHAPTER 1 - BOARD'S ROLES AND RESPONSIBILITIES

This chapter gives brief description of the Board's roles and responsibilities.

#### 1.1 Preamble

Corporate governance refers to the way in which companies are governed, and to what purpose. It is concerned with practices and procedures for trying to ensure that a company is run in such a way it achieves its objectives, with certain amount of checks and balances to minimize abuse of power and fair treatment of the stakeholders.

The Board continuously strives to ensure that best practices are adopted in establishing accountability and integrity of the Board and Management. Hence the Board will continue to ensure that the right leadership, policy, strategy and internal controls are well in place in order to continuously deliver and sustain the Bank's value propositions for the benefit of its stakeholders generally and at the same time, ensure continuing momentum towards reaching the Bank's aspirations to become the preferred Islamic financial services provider.

#### 1.2 Roles and Responsibilities of the Board

The Board is collectively responsible for the proper stewardship of the Bank's business and the creation of long term shareholders value, whilst taking into account interest of other stakeholders. The Board has the responsibility to approve and periodically review the overall strategies, business, organization and significant policies of the Bank premised on Shariah based conduct in business dealings, understanding the major risks faced by the Bank, setting acceptable levels of risk taking and ensuring that the Senior Management takes the steps necessary to identify, measure, monitor and control these risks.

Following are the brief descriptions of the Board's roles and responsibilities:

- To review and approve strategies, business plans and significant policies relating to governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance.

While Shariah Committee has distinct responsibilities in relation to Shariah matters, the Board shall remain responsible for the direction and control of the Bank's business and risk strategies.

- To institute comprehensive policies and processes to ensure effective implementation of Shariah compliance in accordance with the expectations set out in the BNM Policy Document on Shariah Governance in all aspects of the Bank's operations, product development and marketing, strategy formulation, risk management practices and other aspects that promote end-to-end compliance with Shariah;

- To have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of the business, affairs or activities of the Bank;
- To set corporate values and clear lines of responsibility and accountability that are communicated throughout the organization;
- To ensure competent management;
- To ensure that the operations of the Bank are conducted prudently, and within the framework of relevant laws and policies;
- To ensure that the Bank established comprehensive risk management policies, process and infrastructure, to manage the various types of risks;
- To set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit function, covering the financial, management and Shariah Audit;
- To establish procedure to avoid self-serving practices and conflicts of interest including dealing of any form with related entities;
- To ensure protection of the interests of the depositors, particularly investment account holders;
- To establish and ensure the effective functioning of various board committees;
- To ensure the Bank has a beneficial influence on the economic well-being of its community;
- To ensure development, implementation and maintain an effective oversight over the Bank's Data Management and MIS Framework ("Framework") and ensure that the Framework is aligned with business and risk strategies of the Bank and amongst others, to include the following:-
  - To provide sponsorship and approve resource allocations for the Bank's Framework;
  - To provide oversight over Management Committee ("MANCO") and direction for the Framework, including overall data strategy, roadmap and objectives, to the Senior Management;
  - Endorse the Framework and subsequent revisions when necessary.
- To ensure establishment and adherence to the internal policies governing risk concentrations by reviewing it annually. The independent review is to be conducted regularly to verify compliance to the prudential limit and standards set by the Bank as well as the established internal policies;
- To ensure approval and oversight of the Bank's capital management framework and its related policies, processes and strategies;
- To ensure approval of capital allocation on risk-adjusted basis appropriate levels of capital is maintained in line with the approved Risk Appetite and risk profile; and

- To ensure approval of proposed issuance, call or redemption of any capital instruments and the Bank's ordinary shares and for proposed dividend payments and reinvestment.

### 1.3 Reserved Matters for Board's Decision

The following summarises the list of Reserved Matters for the Board's deliberation and decision:

#### i. Strategy

- Strategic decisions which are, or may be significant, in terms of future profitability.
- Any decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector

#### ii. Capital & finance

- Decisions on share capital changes (authorized and/or issued)
- Decisions on investments or capital projects by the Bank or its subsidiaries where the principal sum or cost is considered significant / material
- Decisions to acquire or dispose of Bank assets where the acquisition cost, disposal proceeds or profit or loss on disposal, which would be likely to be regarded as significant / material by the board
- Decisions over new borrowing or significant amendments to the terms and conditions of existing borrowings
- Decision to issue debts and bonds
- Decisions on the adoption of treasury, risk management and accounting policies
- Decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector
- Decision to write off NPF accounts exceeding RM 200,000

*Note : It is considered significant/material if the amount in question is more than RM 500,000 OR 2 % of the budgeted Profit After Tax (PAT) of the Financial Year End, whichever is LOWER*

#### iii. Terms of reference, etc

- Decisions on the wording of any changes to be recommended to the Constitutions and any other constitutional documents of the Bank.
- Decision on the creation, maintenance, terms of reference, leadership and membership of the board committees.
- Initial consideration of any matters (such as a company name change) which has to be decided by special resolution of the Bank.

#### iv. Delegation of authority

- Deciding delegation of authority to Board and other committees such as Board Nomination & Remuneration Committee, Board Audit Committee, Board Risk Management Committee, Board Veto Committee, any additional Board Committee or MANCO.

- Decisions to grant, or vary, power, role, responsibilities and authority levels to individual directors, especially the Chairman and the Chief Executive Officer (“CEO”); and in so doing to specify by implication the ones that the board reserves to itself.
- The granting to or variation of authority levels for executive directors/senior management

#### **v. Appointments**

- Decisions to appoint or remove a member of the Board, or the company secretary, or the senior management, following proper procedures agreed by the board.
- Decision to appoint or remove a director from the Chairmanship of the Board.
- Decisions to appoint or remove the auditors or other professional advisors.

#### **vi. Contracts and transactions, etc**

- Decisions to commit the Bank to directors’ contracts, including the terms of their appointment and remuneration.
- Decision to enter into any other significant contracts.
- Significant decisions relating to any transaction in which a director has a direct or indirect material interest.
- Any matter where a director (or directors’) personal interests might conflict with his or her duty to the Bank, e.g. a political donation.
- Significant decisions on any contract or transaction material to the Bank falling outside the above categories

#### **vii. Disclosure**

- Decisions to adopt financial information for publication (e.g. the annual financial statements, prospectuses, etc).
- The presentation of reports and accounts to shareholders at the Annual General Meeting.
- Decisions on anything that is likely to generate significant publicity and affect the image of the Bank.

#### **viii. Meetings**

- Deciding policy governing the frequency, notice, purpose, conduct, duration and reporting of board meetings; and, especially, the setting of agendas.

#### **ix. Legal**

- Payment by Bank arising out of legal dispute/legal settlement exceeding RM 100,000.

## 1.4 Separation of Roles and Responsibilities between the Chairman and CEO

The roles and responsibilities of the Chairman and the CEO are separated to promote accountability and facilitate division of responsibilities between them and in line with best practices so as to ensure appropriate supervision of the Management. This distinction allows for a better understanding and distribution of responsibilities and accountabilities. The respective roles of the Chairman and the CEO are set out below:-

### 1.4.1 Role of Chairman

The Chairman leads the Board and is also responsible for the effective performance of the Board. His role includes the following:-

- To provide leadership to the Board so that the Board can perform its responsibilities effectively;
- To set the Board agenda and ensure the board members receive complete and accurate information in a timely manner; • To lead Board meetings and discussions;
- To encourage active participation and allow dissenting views to be freely expressed;
- To manage the interface between Board and management;
- To ensure appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;
- To lead the board in establishing and monitoring good corporate governance practices in the Bank; and
- To maintain a healthy working relationship with the CEO and provide the necessary support and advice as appropriate.

### 1.4.2 Role of CEO

The CEO is delegated certain responsibilities by the Board and is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Bank. His primary responsibilities include the following:-

- To develop the strategic direction of the Bank;
- To ensure that the Bank's strategies and corporate policies are effectively implemented;
- To ensure that the Board decisions are implemented and Board directions are responded to;
- To provide directions in the implementation of short and long-term business plans;
- To provide strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;
- To keep the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members; and
- To ensure the day-to-day business affairs of the Bank are effectively managed.

## 1.5 Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Company Secretary is responsible and accountable to the Board, for ensuring that the secretarial functions provide adequate support to the Board and Board Committees for all Board-related administrative functions.

The Company Secretary shall keep confidential the affairs of the Bank and its officers at all times.

The Company Secretary must possess the knowledge and experience to carry out his functions and should undertake continuous professional development.

The Company Secretary shall record the proceedings and resolution of all proceedings to reflect the deliberations and decisions of the Board and the Bank's general meeting, including whether any director abstained from voting or deliberating on a particular matter.

The appointment or removal of Company Secretary(ies) of the Board shall be the prerogative of the Board as a whole.

## CHAPTER 2 - BOARD PROCEDURES

This chapter provides brief description on the Board Procedures on meetings.

### 2.1 Frequency of Meetings and Attendance

Board meetings should be held preferably on a monthly basis, but in any event no less than once every two months. Individual directors are expected to contribute actively to the function of the Board and to allocate adequate time and effort to discharge his duties effectively.

Individual directors must attend at least 75% of the Board meetings held in each financial year.

A representative of Shariah Committee ("SC") attends the Board meeting as a permanent invitee. His attendance at the Board facilitates and assist the Board members when deliberating issues relating to Shariah.

### 2.2 Quality of Meeting Materials

The Chairman together with the Company Secretary shall ensure that directors are provided with sufficient information and time to prepare for Board meetings. The meeting materials are to be circulated to each directors in advance of the Board meeting to enable the directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting.

## 2.3 Minutes of Meetings

The Bank shall keep full minutes of all board meetings. The minutes should record the decisions and their rationales. Any concerns or dissenting views raised by any director are discussed and minuted. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

## 2.4 Quorum and Voting

In order to form quorum in respect of Board meeting, at least half of the Board members to be present and constituted by the presence of shareholders' representative pursuant to the Shareholders' Agreement.

## 2.5 Access to Independent Professional Advice

Each member of the Board is entitled to obtain independence professional advice at the cost of the Bank.

## CHAPTER 3 - BOARD COMPOSITION

This chapter provides brief description on the Board Procedures on appointments and removal.

### 3.1 Board Balance and Composition

The size of the Board is determined in accordance with the Bank's Constitutions, the BNM's Policy on Corporate Governance, IFSA 2013 or Shareholders' Agreement (if any), whichever prevails.

The Board shall be helmed by a Non-Executive Chairman, appointed by the Board, and must have a majority of independent directors at all times. The Board must not have more than one executive director, unless BNM approved otherwise in writing.

### 3.2 Maximum Tenure for Directors

The tenure of an independent director is capped at nine (9) years and the nine (9) years can either be a consecutive service of nine (9) years or a cumulative service of nine (9) years with intervals or upon expiry of the prevailing term as approved by BNM, whichever is the later date.

A director who has served the Board as an independent director for a cumulative period of nine (9) years is required to submit his resignation letter as an independent director to the Board at least three (3) months from the date of his ninth anniversary as independent director.

Notwithstanding the above, the Shareholders may in exceptional cases and subject to the assessment of the Board Nomination and Remuneration Committee (BNRC) decide that an independent director can remain as an independent director after serving the cumulative term of nine (9) years, subject to BNM's approval. In such situation, the Board must undertake a rigorous review to determine whether the 'independence' of the director has been impaired, make a recommendation to the shareholders in a general meeting and provide strong justification to BNM.

### 3.3 Appointment of Chairman/Directors/CEO

The appointment of Chairman/directors and CEO of the Bank requires written consent from BNM.

BNRC of the Bank shall make recommendations to the Board on all appointments, re-appointments and resignations of the Chairman/directors and CEO. BNRC shall use a variety of approaches and sources to identify the most suitable candidates. This may include sourcing from a directors' registry and open advertisements or the use of independent search firms. A rigorous vetting is conducted to ensure that the proposed director or CEO is a 'fit and proper' person.

The Bank is to ensure the appointment procedure as prescribed by BNM is adhered to.

### 3.4 Board Performance

Annual assessment on each individual director and the CEO is conducted to ensure their effectiveness based on objective performance criteria, in line with the established Key Performance Indicators ("KPIs").

The annual assessment on individual directors shall include an evaluation of their:

- Will and ability to critically challenge and ask the right questions;
- Character and integrity in dealing with potential conflict of interest situations;
- Commitment to serve the Bank, due diligence and integrity; and
- Confidence to stand up for a point of view.

### 3.5 Declaration of Interest

Individual director is required to notify the Board the nature and extent of his interest in a material transaction or arrangement, and to be absent from the meeting during such deliberations.

### 3.6 Resignation and Removal of Directors

A written consent must be obtained from BNM before the Bank removes an independent director or an independent director resigns from the Board.

## CHAPTER 4 - BOARD GOVERNANCE STRUCTURE

This chapter provides brief description on the Board Committees.

### 4.1 Preamble

The Board must establish Board Committees whose compositions and terms of reference are in accordance with the BNM's Guidelines on Corporate Governance as well as best practices prescribed by the MCCG 2017.



## 4.2 Shariah Committee

The Shariah Committee ("SC") was established in accordance with the requirements of Section 30 of IFSA 2013 as well as the Bank's Constitutions, which prescribed the setting up a Shariah body to ensure that the Bank's conduct its affairs in accordance with the Shariah principles.

The Board shall regularly review the quality and frequency of its engagement with the SC to establish effective communication on all matters relating to Shariah requirements, Shariah governance or Shariah non-compliance risks. The minutes of SC meeting shall be tabled at the Board meeting for the Board to be kept informed of the Shariah committee's work, key deliberations and decisions on delegated matters. The Board remains fully accountable for the decisions and any ensuing implications arising from the SC's decision

The Board shall allocate sufficient resources for continuous development of skills and expertise of the SC. The Board shall allocate adequate budget, having in place development plans for SC to ensure that each member possesses the requisite knowledge and skills to fulfil his responsibilities.

The Board has delegated specific authorities and responsibilities to the SC, which operate under approved terms of reference, primarily to assist the Board in the execution of its duties and responsibilities.

### 4.2.1 Composition

The Board has to ensure the size of SC is determined in accordance with the Bank's Constitutions, the BNM's Policy on Shariah Governance and IFSA 2013 (whichever prevails) to reflect the business needs of the Bank and enable a conducive environment for sound deliberation of Shariah matters.

The SC, at minimum must comprise of at least five (5) SC members.

### 4.2.2 Maximum Tenure for SC Members

The Board to ensure the tenure of an SC member is capped at nine (9) years.

### 4.2.3 Appointment of SC Members

The appointment of SC Chairman/members of the Bank requires written consent from BNM.

BNRC of the Bank shall make recommendation to the Board on the appointments and re-appointments of SC members. Subsequently, to obtain written approval from BNM. BNRC shall use a variety of approaches and sources to identify the most suitable candidates. A rigorous vetting is conducted to ensure that the proposed SC member is a 'fit and proper' person

#### 4.2.4 SC Performance

Annual assessment of the SC and each SC member are conducted to ensure their effectiveness, competence, knowledge and contribution of each SC member to the overall functioning of the SC.

The annual assessment on individual SC member shall include an evaluation of their:

- Character and integrity in dealing with potential conflict of interest situations; and
- Commitment to serve the Bank, due diligence and integrity.

#### 4.2.5 Declaration of Interests

The Board must ensure every SC members to disclose the nature and extent of his interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in his circumstances that may affect his status.

This shall include policies relating to the involvement of a Shariah committee member in the provision of consultancy services to any clients of the Bank, with or without remuneration.

#### 4.2.6 Resignation and Removal of SC Member

The Board has to ensure a written consent must be obtained from BNM before an SC member resigns or the Bank removes an SC member from the SC.

### 4.3 Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (“BNRC”) provides a formal and transparent procedure for the appointment of Directors, Board Committee members, SC members and CEO and key senior management officers for recommendation to the Board. The BNRC also advises the Board on the optimal size and mix skills of the Board. The BNRC is to carry annual board evaluation to assess the performance and effectiveness of the Board as a whole, Board Committees, SC and performance of CEO and key senior management officers.

The BNRC provides a formal and transparent procedure for developing a remuneration policy for Directors, SC, CEO and key senior management officers and ensuring that the Bank’s compensation package is competitive and consistent with its culture, objectives and strategies.

The BNRC will then recommend the proposed remuneration package to the Board for its approval.

#### **4.4 Board Audit Committee**

The Board Audit Committee (“BAC”), is responsible to fulfill the oversight function in relation to the adequacy and integrity of system of internal controls and financial reporting, risk management and compliance with internal policies, procedures and external applicable rules and regulations. They are also responsible to review and approve audit charter.

The BAC is authorised by the Board to investigate any activities within its terms of reference and has unrestricted access to both the internal and external auditors and senior management team of the Bank.

#### **4.5 Board Risk Management Committee**

The Board Risk Management Committee (“BRMC”) is authorised to oversee the Management’s activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. In addition, the Board Risk Management Committee is also responsible for ensuring that a comprehensive risk management infrastructure is in place for managing the risk associated with Mudharabah and Musharakah financing or investments. They are also responsible to review and approve changes to Bank’s policies and frameworks prior to escalation to Board of Directors for approval.

#### **4.6 Board Veto Committee**

The Board Veto Committee (“BVC”) is responsible for the review of financing and/or investment proposals approved by the Credit Committee (“CC”) and/or Investment Committee (“IC”) of the Management based on the limits determined by the Board. VC may overrule any decision of CC and/or IC, where appropriate.

#### **4.7 Board Special Committee**

The Board may establish special board committees to oversee critical or major functional areas and to address matters, which require detailed review or in-depth consideration. The Board may delegate certain duties to the board committees, however, remains responsible for the decisions of the committees.

### **CHAPTER 5 - CULTURE**

The Board is expected to conduct business legally and ethically and insist that the business associates do the same.

#### **5.1 Ethical Behavior**

The Board to ensure to promote Shariah compliance in accordance with expectations set out in the policy document on Shariah Governance Framework for Islamic Financial Institutions and ensure its integration with the Bank’s business and risk strategies.

## 5.2 Code of Ethics

The Board observes the Code of Ethics for the Financial Services Industry issued by the Financial Services Professional Board and Code of Ethics for Company Directors issued by the Companies Commission of Malaysia and consistently adhere to a high standard of professionalism and ethics in the conduct of the Bank's business and professional activities.

## 5.3 Preserving Confidentiality

The Board must adhere to the secrecy provision under Section 145 of the IFSA 2013 and prohibits from producing, divulging, revealing, publishing or disclosing any information pertaining to the affairs and conduct of the Bank/customer account(s) to another party.

The Board must comply with the minimum standards of conduct as per IFSA 2013 and BNM's Policy Document on Corporate Governance to safeguard its integrity and credibility.

The Board and SC shall not disclose any information in the Annual report of the Bank which is false, misleading, inaccurate or incomplete.

## 5.4 Permitted Disclosure

The Board may for such purpose or in such circumstances as set out in the first column of Schedule 11 of IFSA 2013, disclose any document or information relating to the affairs or account of the Bank's customer(s) to such persons specified in the second column of Schedule 11 of IFSA 2013 or to any person where such disclosure is approved in writing by BNM.

*Approved by the Board of Directors on 30 June 2020*