Board Charter

Bank Kerjasama Rakyat Malaysia Berhad

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Section A: The Board, its composition and authority

1 Introduction

1.1 Purpose

1.1.1 This Board Charter (the “Charter”) is the guiding document for the Board of Directors (the “Board”) of Bank Kerjasama Rakyat Malaysia Berhad (the “Bank") and is in line with Section 4 of the Bank Kerjasama Rakyat (Special Provisions) Act 1978, which empowers the Board to carry out the functions and powers and general administration of the affairs and business of the Bank.

1.2 Guiding principles of the Board Charter

1.2.1 This Charter should be read together with the relevant provisions in the following acts:

(a) the Bank Kerjasama Rakyat (Special Provisions) Act 1978 ("Bank Rakyat Act");
(b) the Development Financial Institutions Act 2002 (“DFI2002”); and
(c) the Co-operative Societies Act 1993 (“Co-Op Act 1993”).

1.2.2 This Charter shall further be read together with the relevant principles and standards set out in guidelines, circulars and directives issued by:

(a) Bank Negara Malaysia ("BNM Guidelines");
(b) the minister charged with the responsibility of finance ("MOF");
(c) the minister charged with the responsibility for co-operative development (the "Minister"); and
(d) the By-Laws of the Bank.

1.2.3 The Board has established a Board of Directors Policy (the "Board Policy"), which serves as guidance to the Board in effectively fulfilling their duties. This policy outlines the guiding principles and matters pertaining to Board organization, responsibilities, and relevant internal policies and procedures, including those outlined in this Board Charter.

1.2.4 When there is a conflict between the provisions of this Charter, regulatory and legislative provisions, and the Bank’s policies and procedures in relation to the function of the Board (including its conduct), the acts mentioned above shall prevail.

1.2.5 Where paragraphs in this Charter make reference to provisions in the relevant act, or a principle in a corporate governance guide (e.g. Malaysian Code on Corporate Governance), this is indicated accordingly in italics.

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2 Board composition and independence

2.1 Board size

2.1.1 The Board shall consist of a Chairman and not less than six (6) and not more than eleven (11) other members.

2.1.2 The Board shall periodically review and evaluate the size of the Board and its Board Committees to promote effective deliberation and encourage active participation of all Directors. This also to allow 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.

2.1.3 The Board shall take into consideration the following when reviewing its size:

(a) The evolving circumstances and needs of the Bank in terms of its size, market or geographical location;

(b) The need to achieve an appropriate balance of Executive and Non-Executive Directors (including Independent Directors); and

(c) Other factors such as, representation of the interests of certain members or groups of members, technical know-how or experience in the relevant industry sector, and the Board's diversity of professional experience, ethnicity, gender and age.

2.2 Board independence and composition

2.2.1 The Board shall comprise a majority of Independent Directors at all times.

2.2.2 The Board has adopted the definition of independence in accordance with the BNM Guidelines and criteria as outlined in Bank Rakyat's Board of Directors' Policy and Board Nomination and Appointment Framework.

2.2.3 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 independent judgement. An individual must not be considered to be an independent director if he or any person linked to him–

(a) has been an executive in the last two years;

(b) is a substantial shareholder of the financial institution or any of its affiliates;

(c) is a representative of the stakeholder Ministry of the DFI; or

(d) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last two years.

2.2.4 Directors who are board members of the Bank and its affiliates must remain in the minority of the Bank's board if–

i) one entity is a licensed insurer and the other is a licensed takaful operator;

ii) one entity is a licensed bank or licensed investment bank, and the other is a licensed Islamic bank;

iii) the affiliate is a holding company or subsidiary of the Bank that is itself a financial institution; or

iv) there are strong operational dependencies between the Bank and the affiliate.

2.2.5 The Chairman of the Board must not be an executive and must not have served as the Group Chief Executive Officer (GCEO) of the Bank in the past five years.

2.2.6 Subject to the prevailing practice of Bank Rakyat, there shall be no Executive Director within the Board of Directors. However, if deemed necessary by any regulation or law, or if the Board decides to appoint an Executive Director at any time, the Board must not have more than one (1) Executive Director to promote effective independent oversight by the Board.

2.3 Board mix of skills, experience and competencies

2.3.1 The Board shall comprise of Directors who as a group demonstrate a mixture of core competencies and knowledge of banking operations, of the Bank's target market or sector and the socio-economic environment.

2.3.2 Core competencies refer to knowledge in regard to the following disciplines:

(a) Finance;
(b) Accounting;
(c) Banking;
(d) Risk management;
(e) Legal;
(f) Business management,
(g) Socio-economy;
(h) Public administration;
(i) Information technology; and
(j) Investment management.

2.3.3 At minimum, three (3) Directors, excluding for executive directors, must possess finance related or accounting experience. A Board member who is qualified in finance-related disciplines should have acquired a minimum of five years working experience at a senior management level in the discipline of banking, insurance, takaful, or investment.

2.3.4 All Directors should possess a sound level of knowledge of provisions of acts relevant to the Bank, and relevant BNM Guidelines on the functions, powers, duties, responsibilities, restrictions and limitations of the Bank, the Board and individual Directors.

2.3.5 The Board, with the assistance of the Board Nomination and Remuneration Committee, shall establish, document, and periodically assess the criteria and skills necessary for its members, both individually and as a group. These criteria and skills should align with the fit and proper requirements and the specific market or business knowledge needed for effective Board performance. This assessment should also consider experience and knowledge in development finance on the Board. It is important that the criteria and skill sets be reviewed regularly by the Board to encourage diversity and ensure alignment with the mandate, strategic direction and emerging challenges faced by the Bank. The Board must also take into account supervisory concerns highlighted by the BNM that require specific expertise on the Board.

2.4 **Board diversity**

2.4.1 The Board shall strive to promote and welcome diversity and gender mix in its composition.

3 Authority of the Board

3.1 In carrying out its functions, the Board shall have the authority to:

(a) Investigate any activity or matter within its Board Charter;
(b) Acquire the resources necessary for it to perform its duties;
(c) Have full and unrestricted access to the information, records, properties and personnel of the Bank;
(d) Seek relevant internal and external independent professional advice as it deems necessary at the expense of the Bank, in furtherance of their service as Directors; and
(e) Meet exclusively among the members, wherever deemed necessary.

3.2 Where independent professional or other advice is considered necessary for the discharge of Board Committees and Directors' duties to the Bank, such proposal for independent professional or other advice shall be subject to the approval of the Board.

4 Roles and responsibilities of the Board

4.1 **Roles of the Board**

4.1.1 The Board members have a fiduciary duty to act in the best interests of the Bank's co-operative members and stakeholders. All Directors must act with integrity, lead by example, keep abreast of his responsibilities as a director and of the conduct business activities and development of the Bank.

4.1.2 The Board is responsible to promote sustainable growth and financial soundness of the Bank and as the steward of the Bank, to ensure maximisation of value and safeguarding of members' and stakeholders' interests.

4.1.3 The Board shall foster a culture of good corporate governance and set Key Performance Indicators to enhance corporate accountability, including but not limited to the standards prescribed by the applicable laws and regulations from time to time.

4.1.4 The Board of the Bank shall establish several Board Committees with specific terms of reference to assist the Board of the respective entities (where relevant) in discharging their duties and responsibilities.

4.1.5 The Board has delegated day-to-day management of the Bank to the Management Committees, referred to as MANCO. MANCO is referring to a group of senior executives within the Bank who are responsible for making key strategic decisions and overseeing the overall operation of the organisation lead by the Group Chief Executive Officer.

4.1.6 It is the Board's responsibility to appoint a Senior Independent Director (SINED) of the Bank to strengthen oversight over Banking Fraud and Data Breach Incidents. The appointment of the SINED shall be based on the recommendation of the Board Nomination & Remuneration Committee.

4.1.7 The Board may assign specific members or committees to oversee the follow-through on critical issues as needed.

4.2 Key responsibilities of the Board

4.2.1 In discharging its responsibilities, the Board shall undertake the following:

(a) Regularly review and affirm 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 the BNM, for a review of its mandate.

(b) Approve the risk appetite, business plans and any other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile and continuing ability to support its mandate.

(c) Oversee the selection, performance, remuneration and succession plans of the GCEO, control function heads and other members of the MANCO, such that the Board is satisfied with the collective competence of MANCO to effectively lead the operations of the Bank;

(d) Oversee the implementation of governance arrangements, including Shariah governance, which should promote transparency and accountability in the management and decision-making processes within the Bank, and ensure that the MANCO effectively implements the governance arrangements across all functions of the Bank;

(e) Oversee the implementation of the internal control framework and periodically review whether these remain appropriate in light if material changes to the size, nature and complexity of the Bank's operations. This includes the operating infrastructure, systems of control, systems for risk identification and management, financial and operational controls;

(f) Oversee the development and effective implementation of a performance measurement framework for the Bank that is aligned with its mandate;

(g) Promote, together with MANCO, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour. This shall include ensuring that MANCO establishes, implements and monitors policies and procedures that prevent activities and relationships that are inconsistent with sound governance, effectively address conflicts of interest situations, strictly prohibit corrupt practices and ensure arm's length dealings with connected parties and other interested entities;

(h) Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;

(i) Oversee and approve the recovery and business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

(j) Promote through appropriate communication policies and practices, timely and effective communication between the Bank and the BNM and stakeholder ministries on matters affecting or that may affect the safety, soundness and mandate of the DFI;

(k) Promote Shariah compliance in accordance with expectations sets out in the Bank's Shariah Governance Framework and ensure its effective integration with the Bank's business and risk strategies.

(l) Act in the best interest of the Bank, free from any undue external influence, which could undermine the Bank's approved mandate and financial soundness.

(m) Evaluate the training needs of Directors on a continuous basis and identify areas fr professional development and process improvement;

(n) Establish a communications policy that enables both the Board and MANCO to communicate effectively with its members, the stakeholders and the public.

(o) Maintaining oversight and governance assurance over the execution of frameworks and policies, implementing awareness programs among staff to promote an anti-fraud culture and corporate integrity, and directing the formulation of structured mechanisms for governance of fraud management and corporate integrity.

(p) Ensuring the continuous operation of the Bank is the top priority for the Board. If any laws or regulations contradicting the Bank's business or operations arise, the Board shall promptly inform the regulators and/or relevant Ministry about the situation and present any mitigation plans to address the issue.

4.3 Interaction with the Shariah committee

4.3.1 The Board must have due regard to any decisions or advice of the Shariah Committee on any Shariah issues relating to the operations, business, affairs or activities of the Bank.

4.3.2 The Board must establish effective communication with the Shariah Committee on all matters relating to Shariah requirements, Shariah governance or Shariah non-compliance risks to enable both parties to effectively discharge respective responsibilities under the BNM Shariah Governance Framework. The Board must regularly review the quality and frequency of its engagement with the Shariah Committee.

5 Matters reserved for the Board's deliberation and approval

5.1 The Board also maintains a formal schedule of matters reserved for its deliberation and approval, which includes matters related to the paragraph 5.2 to 5.9 of this Charter.

5.2 Business strategy

5.2.1 Review and approve changes to the Bank's organisation structure;

5.2.2 Review and approve the Bank's business strategies, business plans and significant policies, including Management's performance in implementing the approved strategies, plans and budget, within the approved risk appetites.

This should take into account the sustainability of the Bank's business, with attention given to the environmental, social and governance aspects of the business and the impacts of its operations and activities on the communities it operates in.

5.2.3 Approve investment or divestment of the Bank, including its subsidiaries with the consent of the Minister, concurrence of the Minister of Finance and in accordance with the legislative provisions of Bank Negara Malaysia;

5.2.4 Approve major changes in nature of the principal activities carried out by Bank with the consent of the Minister, concurrence of the Minister of Finance and in accordance with the legislative provisions of Bank Negara Malaysia;

5.2.5 Approve policies of the Bank in all material aspects including, but not limited to, the following:

- Shariah compliance policies;
- procurement policies;
- outsourcing policies;
- IT security and IT related policies;
- human resource and manpower policies;
- remuneration schemes; and
- authority limits granted to MANCO personnel.

5.2.6 Approve the Bank's delegated limits of authority and its revision therein.

5.2.7 Approve credit facilities under the category of policy financing (other than those delegated to Board Financing and Investment Committee) and director-related facilities.

5.2.8 Responsible for setting standards of fair dealing and promoting ethical, prudent and professional conduct across the Bank, in line with Bank Negara Malaysia's Policy Document on Fair Treatment of Financial Consumers ("FTFC"), including vulnerable consumers. The Board shall ensure that FTFC principles are embedded in the Bank's strategies, policies, communications and operations.

5.2.9 Oversee the establishment and effectiveness of governance structures, controls and accountability mechanisms for the management of customer complaints, in accordance with the BNM CGPD, FTFC requirements and the Bank's Responsibility Mapping framework. This includes oversight of the implementation and periodic review of the complaints handling framework to ensure it is fair, transparent, timely and effective.

5.3 Shariah Governance

5.3.1 Accountable and responsible on overall Shariah Governance Framework ("SGF") and Shariah compliance of Bank Rakyat based on the Shariah Advisory Council of BNM ("SAC") rulings and decisions, opinion and advise of the SC within all business and functional lines, including any business or risk implications arising from such implementations.

5.3.2 Perform diligent oversight over the effective functioning of SGF and ensure the framework commensurate with the Bank's size, complexity, nature of its business.

5.3.3 Approve all framework and 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 within the Bank.

5.3.4 Oversee the implementation of the internal control framework to prevent Shariah non-compliance and any rectification measures to resolve incidences.

5.3.5 Oversee the performance of MANCO and other officers entrusted to implement SGF to ensure decisions made by the SC are duly observed and implemented by the Bank.

5.3.6 Promote a sound corporate culture which promote end-to-end compliance with Shariah.

5.3.7 Ensure effective communication policy among the key functions of Bank Rakyat is in place to facilitate smooth escalation of material matters relating to Shariah to the Board.

5.3.8 Appoint appropriate and reputable members of SC upon recommendation by the NRC and ensure the SC fulfil the fit and proper criteria.

5.3.9 Consider taking the necessary punitive measures against parties who intentionally failed to extend the required information to the SC. The Board shall be informed of the facts, and appropriate action shall be taken by the Board to rectify the situation.

5.3.10 Remunerate the SC members appropriately which reflects and be commensurate with the accountability, duties and responsibilities of the SC members as advised by the NRC.

5.3.11 Ensure the remuneration policy and performance measures for senior officers responsible for ensuring Shariah compliance reinforce a risk culture that is in line with Shariah governance objectives.

5.3.12 Continuously develop and strengthen knowledge and understanding on Islamic finance, as well as keep abreast with developments that may impact the business of the Bank.

5.3.13 Approve the rectification plans of actual Shariah Non-Compliant within the regulatory timeline. In the event where there is no Board meeting that will be held within the timeline, the Bank must conduct an ad-hoc Board meeting which may consist of the minimum required quorum, to obtain the Board's approval on the rectification plan prior to submission to the BNM.

5.4 Financial matters *(based on the Bank's authority matrix)*

5.4.1 Approve annual budget of the Bank, including capital expenditure;

5.4.2 Approve major capital commitments, capital management, acquisitions and divestitures, with the consent of the Minister and with concurrence of the Minister of Finance;

5.4.3 Approve adoption of accounting policies in line with the Malaysian Financial Reporting Standards;

5.4.4 Approve financial statements; and

5.4.5 Determine the amount of dividends to be paid, with the consent of the Minister and with concurrence of the Minister of Finance and in accordance with the legislative provisions of Bank Negara Malaysia.

5.5 Risk management and audit

5.5.1 Determine the Bank's overall risk appetite, level of risk tolerance and ensure that adequate internal control systems are in place to effectively monitor and manage these risks;

5.5.2 Review and approve risk management framework and policies, and ensure that the Bank establishes comprehensive risk management policies, processes, and infrastructure;

5.5.3 Review and approve the Bank's Business Continuity Management Policy and Procedures;

5.5.4 Establish the internal audit function which reports directly to the Board Audit and Examination Committee;

5.5.5 Select, appoint and terminate the appointment of the external auditor, with the consent of the Minister and with concurrence of the Minister of Finance; and

5.5.6 Oversee the Board Audit and Examination Committee's evaluation of the performance of the external auditor and on an ongoing basis, ascertain the independence of the external auditor.

5.5.7 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 and its subsidiaries.

5.6 Information Technology, Technology Risk, Security and Cyber Security

5.6.1 Designate a board-level committee which shall be responsible for supporting the Board in providing oversight over technology – related matters. Where such a committee is separate from the Board Risk Committee (BRC), there must be appropriate interface between this Committee and the BRC on technology risk-related matters to ensure effective oversight of all risks at the enterprise level.

The composition of the designated Committee must include at least one member with technology experience and competencies.

5.6.2 The Board shall establish, approve and periodically review the Bank's technology risk appetite, ensure its alignment with the Bank's overall risk appetite, taking into account impacts on business operations and customers, approve the Bank's IT and cybersecurity strategic direction, and satisfy itself that appropriate governance structures, resources and accountability mechanisms are in place to manage technology and cyber risks.

5.6.3 The Board shall ensure that IT-related frameworks, policies and guidelines are reviewed at least once every three (3) years and receive regular updates from Senior Management on technology and cyber risks.

5.6.4 Participate in relevant cybersecurity awareness and training programs.

5.6.5 Endorse and oversee the effective implementation of a sound and robust technology risk management framework (TRMF) and cyber resilience framework (CRF), for the continuity of operations and delivery of financial services.

5.7 Appointment and remuneration of Directors and Management Committee personnel

5.7.1 Review and approve formal policies defining "fit and proper" standards ("Board Nomination and Appointment Framework") for Directors, GCEO and MANCO personnel and ensure compliance with these standards on a continuing basis;

5.7.2 Review and approve the recruitment, appointment, promotion, confirmation and termination of services, as well as the remuneration package, compensation and benefit policies of MANCO personnel, subject to the approval by BNM and the Minister.

5.7.3 Approve the annual remuneration for each director, GCEO, MANCO, and other material risk takers.

5.7.4 Review and approve policies relating to staff benefits, code of conduct, performance appraisal procedures, whistle-blowing procedures, disciplinary action procedures and grievance procedures, including appropriate communication and feedback channels, that would encourage employees and other stakeholders to bring out information helpful in enforcing good corporate governance practices;

5.7.5 Establish and regularly review succession plans to promote Board and MANCO renewal and address any vacancies.

5.7.6 Review and approve policies and programmes for succession planning for the orderly succession within the MANCO team and ensure that all candidates appointed to MANCO positions are of sufficient calibre and competency. Monitor the MANCO team's performance on an on-going basis.

5.7.7 Unless the written approval of the Minister has been obtained –

(a) The Bank will not publicly announce the proposed appointment or reappointment of the GCEO; and

(b) a GCEO whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such a capacity, including by holding himself out as the GCEO.

5.8 Compliance and legal

5.8.1 Review and approve the Bank's compliance framework to enable the operations of the Bank to be in compliance with relevant laws, statutory acts, Shariah principles and established policies and procedures of the Bank;

5.8.2 Review and approve the appointment, powers and removal of corporate representatives and lawful attorneys acting on behalf of the Bank;

5.8.3. Review and ensure the adequacy and integrity of the Bank's internal control system and management information system, including systems for compliance with applicable laws, regulations, rules, and guidelines.

5.8.4. Promote Shariah Compliance in respect of the Islamic business of Bank Rakyat and its subsidiaries, including to perform oversight role over the effectiveness functioning of Bank Rakyat's SGF; and

5.8.5 Review and approve Management's responses by the regulatory authorities in relation to compliance with regulatory requirements.

5.9 Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT")

5.9.1 Maintain accountability and oversight to create policies and standards pertaining to AML/CFT.

5.9.2 Approve the AML/CFT policy which includes risk assessment, profile and risk control, Customer Due Diligence ("CDD"), record keeping, On-going due diligence ("ODD"), Suspicious Transaction Report and Prevention of Terrorism Financing.

5.9.3 Establish appropriate mechanisms to ensure that AML/CFT policies are periodically reviewed and assessed

5.9.4 Establish an effective internal system for AML/CFT and ensure adequate AML/CFT surveillance is implemented.

5.9.5 Determine the power and responsibility of implementing AML/CFT measures and ensure that there is a segregation of duties between those implementing policy and procedures and those who enforcing the controls.

5.9.6 Ensure an effective internal audit function in assessing and measuring the strength and effectiveness of controls over AML/CFT.

5.9.7 Determine and ensure that the frequency and scope of independent audits conducted commensurate with the ML/TF risks and vulnerabilities assessed by the Bank.

5.9.8 Evaluate the implementation of the approved AML/CFT policies through regular reporting and updates by the MANCO and AEC.

5.9.9 Establish a management information system that illustrates the nature of the Bank's operations, business size, complexity of business operations, structure, product risk profile, services offered and geographical coverage.

5.9.10 Approve the overall risk appetite and internal policy or framework governing the implementation of e-Know Your Customer ("e-KYC").

5.9.11 Ensure satisfactory measures are undertaken and an appropriate level of performance of the e-KYC solution is maintained at all times.

5.9.12 Ensuring improvements are undertaken to enhance the e-KYC solution in regular and timely manner and is satisfied that the level of performance of the e-KYC solution does not undermine the integrity of the identification and verification process.

5.9.13 Ensure the effective implementation of appropriate policies and procedures to address any risks associated with the implementation of e-KYC, including operational, customer information, human capital, information technology (IT) and ML/TF, proliferation financing (ML/TF/PF) and fraud risks.

5.10 Governance

5.10.1 Ensure sound and prudent policies and practices of Bank Rakyat as well as the Group by providing effective check and balance.

5.10.2 Establish policies to avoid self-serving practices and conflict of interest including dealings of any form with related entity.

5.10.3 A related entity refers to a corporation which is deemed related to each other if: -

i) it is the holding company of another corporation;

ii) it is a subsidiary of another corporation; or

iii) it is a subsidiary of the holdings company of another corporation.

5.10.4 Promote timely and effective communications between BNM and the Bank on matters affecting or that may affect the safety and soundness of the Bank.

5.11 Disclosure

5.11.1 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 and its subsidiaries (the "Group");

5.11.2 Establish a communications policy that enables both the Board and MANCO team to communicate effectively with its members, the stakeholders and the public. In this regard, the Board shall regularly convey pertinent information to the stakeholder ministries specifically on governance, business strategies as well as issues and challenges faced by the institutions and mitigation actions to address such issues; and

5.11.3 Ensure that the Bank discloses its sustainability policies and their implementation status in the annual report and on the corporate website.

5.12 The matters reserved above are non-exhaustive and should be referred to the Board of Directors policy and /or any other applicable policies.

6 Board Committees

6.1 The Board has established committees to assist the Board within clearly defined roles and responsibilities as set out in terms of reference/charter of each of the Committees.

6.2 The following standing committees have been established to assist the Board in carrying out its responsibilities:

(a) Board Audit and Examination Committee;
(b) Board Risk Committee;
(c) Board Nomination and Remuneration Committee;
(d) Board Tender Committee;
(e) Board Financing and Investment Committee; and
(f) Board IT Committee.

6.3 Where necessary, the Board shall establish ad-hoc Committees to consider matters of special importance or to exercise the delegated authority of the Board.

6.4 The Board shall approve Charter of the standing and additional Board Committees, including the Charter of the ad-hoc Board Committee(s), which shall set out the roles and responsibilities of each Committee.

6.5 The existence of the Board Committees does not diminish the Board's ultimate responsibility over the functions and duties of these Board Committees. The Board Committees shall report to the Board on their deliberations, findings and recommendations. Decisions shall be made by the Board, unless delegated by the Board. The Board shall remain fully accountable for any authority delegated to the Board Committees.

6.6 **Guiding principles in the composition of Board Committees**

(a) Each Board Committee must comprise at least three directors, with the majority being independent directors.

(b) The Board Committees must be chaired by an independent director and should consist of directors who possess skills, knowledge, and experience relevant to the responsibilities of the Board Committee.

(c) The Chairman of the Board shall not chair any of the Board Committees to promote robust and open deliberations by the Board on matters referred by the Board Committees

(d) No Directors shall be allowed to serve as member of a particular Board Committee for a cumulative period exceeding five (5) years, unless otherwise determined by the Board;

(e) The Chairman of the Board Committee shall render advice to the Chairman of the Board on the performance of an individual Committee member when an extension of that member's tenure or re-appointment is being considered; and

(f) The members serving the Board Committees shall be changed at appropriate and regular intervals. To ensure that the entire Committee is not replaced at any one time, such change of members shall be done on progressive basis.

7 Delegation to Subsidiary Boards, Committees and Board Members

7.1 The Board delegates the oversight and stewardship of the following businesses and functions to specific Boards and Directors within the Group:

(i) Rakyat Management Services Sdn Bhd
(ii) Rakyat Holdings Sdn Bhd
(iii) Rakyat Hartanah Sdn Bhd
(iv) Rakyat Asset Management Sdn Bhd
(v) Rakyat Nominees Sdn Bhd
(vi) Rakyat Travel Sdn Bhd
(vii) Rakyat Facility Management Sdn Bhd
(viii) Rakyat Niaga Sdn Bhd

These Boards operate within clearly defined roles and responsibilities as set out in their respective constitutions.

7.2 In relation to Yayasan Bank Rakyat (YBR), the Board may exercise its right as stipulated in clause 8 of the *Surat Ikatan Amanah* between Bank Rakyat and YBR. This includes providing written notice to the YBR's Board of Trustees, enabling the assumption of control over the management of YBR, issuing operational directives, managing the Trust Fund, or initiating the appointment, termination, or reappointment of any Board of Trustee if, in the opinion of Bank Rakyat, as the Board deemed fit.

8 Code of conduct for the Board

8.1 Code of Ethics for Directors

8.1.1 Board members must observe the highest standards of ethical behaviour. All Directors shall be guided and shall observe the Bank's Code of Ethics and Business Conduct.

8.1.2 A Director must recognise that the primary responsibility is to the Bank's co-operative members and stakeholders having regard to the requirements of Bank Negara Malaysia, the Minister and the MOF.

8.1.3 A Director must not engage in conduct likely to bring disrepute upon the Bank.

8.1.4 A Director has the obligation, at all times, to comply with the spirit, as well as the letter, of the law and the principles of this Code of Conduct.

8.1.5 The Bank's Code of Ethics and Business Conduct shall provides for declarations of assets by the Board of Directors and procedures for dealing with gifts from external parties to avoid conflict of interest situation.

8.2 Director's time commitment

8.2.1 By accepting the appointment, Directors shall confirm their time commitment to the Board and must notify the Board before accepting any other new Directorships, which includes an indication of time that will be spent on the new appointment.

8.2.2 The Director shall commit sufficient time to the affair of the Bank. Any prospective acceptance of other directorships will be upon notification and consultation with the Board.

8.2.3 Directors shall not be active politicians within the meaning of the Bank's Code of Ethics and Business Conduct.

8.2.4 Unless BNM approves otherwise in writing, the GCEO is only allowed to hold directorships in the holding company, subsidiaries, associates, sister companies and their subsidiaries in non-executive capacity and should not be more than five posts at any one time.

8.2.5 The GCEO is allowed to hold directorships in institutions or organisations to represent the interest of the financial industry, not-for-profit organisations and statutory bodies/government-owned companies and the number of such directorships will not be taken into account in computing the maximum limit of five.

8.3 Conflict of interest

8.3.1 Directors are expected to avoid any action, position or financial interest that conflicts with an interest of the Bank or gives the appearance of a conflict.

8.3.2 A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Bank shall declare his interest.

8.3.3 The Director concerned shall not participate in deliberations and shall abstain from casting votes in any matter arising thereof unless as otherwise provided.

8.3.4 A Director must be independent in judgement and actions and take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.

8.3.5 A Director must not allow personal interests or the interest of any associated person to conflict with the interests of the Bank.

8.4 **Duty of care and diligence**

8.4.1 A Director must act honestly, in good faith and use care and diligence in fulfilling the functions of his office and exercising the powers attached to that office for a proper purpose, in the interests of the Bank as a whole.

8.4.2 A Director must not take improper advantage of the position of Director.

8.4.3 A Director must not make improper use of information acquired as a Director.

8.4.4 Confidential information received by a Director in the course of the exercise of the duties as a Director remains the property of the Bank and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Bank, or the person from whom the information is provided, or is required by law.

8.5 **Whistleblowing Policy**

8.5.1 The Board must establish a whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Individuals must be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal. To this end, the Bank must –

(a) clearly indicate the parties to whom concerns can be escalated within the Bank;
(b) ensure that individuals are made aware of other avenues for whistleblowing to regulators or law enforcement agencies;
(c) communicate the whistleblowing policy to third parties such as contractors, consultants and interns and allow them to report their concerns; and
(d) designate a non-executive director to be responsible for the effective implementation of the policy.

8.5.2. This Whistleblowing Policy is in place to ensure its business and operations are conducted in an ethical, moral and legal manner whereby Whistleblowing Policy as an avenue for all employees, interns, consultants, contractors, vendors, suppliers and/or customer to disclose any illegal, unethical questionable practices or improper conduct committed or about to be committed within the Bank. The disclosure shall be treated in strict confidence and without any risk of reprisal. Scope of reporting any irregularity and improper conduct including but not limited to:

(a) Fraud or dishonesty
(b) Breaches of policies, procedures and applicable
(c) Laws and Regulations
(d) Bribery or corruption
(e) Abuse of power
(f) Conflict of interest
(g) Theft or embezzlement
(h) Misuse of Bank's Property and information
(i) Harassment, sexual harassment and/or
(j) Intimidation.

Section B: Roles of the Chairman, Directors, Group Chief Executive Officer (GCEO) and Bank Secretary

9 Role of the Chairman

9.1 The Chairman has a key leadership role in the conduct of the Board and its relationship with members and other stakeholders. The Chairman shall facilitate the flow of information between the Board members and the MANCO team, and in consultation with the GCEO, sets the agenda for each Board meeting.

9.2 The role of the Board Chairman is to:

9.2.1 Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;

9.2.2 Guidelines and and procedures are in place to govern the Board's operation and conduct;

9.2.3 All relevant issues are on agenda for Board meeting and all directors are able to participate fully in the Board's activities;

9.2.4 Board debates strategic and critical issues;

9.2.5 Board receives the necessary information on a timely basis from the management;

9.2.6 Avenues are provided for all directors to participate openly in the discussion;

9.2.7 That he provides leadership to the Board and is responsible for the developmental needs of the Board; and

9.2.8 Advise the Minister where specific or niche skill set is required in relation to the Board composition (for consideration in advance of time).

10 Role of the Board of Directors, i.e. Independent Non-Executive Directors (INED) and Non- Independent Non-Executive Directors (NINED)

10.1 The effective participation of the Board of Directors can enhance accountability in the Board's decision-making process and is essential for protecting the interests of members by bringing in the quality of detached impartiality.

10.2 The principal responsibilities of Independent Non-Executive Directors are to:

(a) Provide and enhance the independence and objectivity of the Board;

(b) Ensure effective check and balance on the Board;

(c) Mitigate possible conflicts of interest between the policy making process and the day-to-day management of the Bank;

(d) Constructively challenge and contribute to the development of business strategy and direction of the Bank; and

(e) Ensure that adequate systems and controls are in place to safeguard the interests of the Bank.

10.3 A Non-Independent and Non-Executive director representing the interest of a stakeholder Ministry on the Board of the Bank shall have the same duties and responsibilities as other Board members, to act in the best interest of the DFI, with due regard to the interest of customers and depositors, in line with its approved mandate. In the event of any conflict between his duty to act in the best interest of the DFI and his duty to the stakeholder Ministry which he is representing, his duty to the DFI will prevail.

11 Role of the GCEO

11.1 The GCEO heads the Bank's Management Committee and assumes the overall responsibility for the execution of the Bank's strategy.

11.2 The GCEO, within all specific authorities delegated to him/her by the Board, is responsible in carrying out the Board's directions, managing the businesses of the Bank and driving performance, in accordance with the strategic goals approved by the Board.

11.3 The key roles of the GCEO are to:

(a) Develop the strategic direction of the DFI;

(b) Ensuring that the DFI's strategies and corporate policies are effectively implemented;

(c) Ensuring that Board decisions are implemented and Board directions are responded to;

(d) Providing directions in the implementation of short and long-term business plans;

(e) Providing strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;

(f) Keeping Board fully informed of all important aspects of the DFI's operations and ensuring sufficient information is distributed to Board members; and

(g) Ensuring the day-to-day business affairs of the institutions are effectively managed.

12 Role of the Bank Secretary

12.1 The Board shall appoint the Secretary of the Bank (the "Bank Secretary"). The appointment and removal of the Bank Secretary shall be subject to the Board's approval.

The Bank Secretary shall have a dual reporting line which entails a functional reporting to the Board, aligning with its strategic direction and governance and an administrative reporting to the Management, ensuring efficient day-to-day operations.

In the event of the removal of the BS, the Bank shall inform Bank Negara Malaysia in writing of such removal within seven (7) days from the date of removal.

12.2 The Bank Secretary is expected to provide advice on corporate governance matters.

12.3 The Bank Secretary shall be the Secretary of the Board and all its Board Committees or any other Board Committees as decided by the Board.

12.4 The Bank Secretary shall be responsible for the co-ordination of relevant Board matters such as agendas, Board papers, minutes, communication with regulatory bodies and all statutory and other filings. The primary responsibilities of the Bank Secretary include the following:

(a) Facilitate the induction of new Directors and assist with each Director's professional development;

(b) Facilitate information flow between members of the Board and the Board Committees, and between the Directors and the MANCO team;

(c) Co-ordinate the timely completion and despatch of the Board agenda and briefing materials, minutes and communication with regulatory bodies on corporate governance matters;

(d) Maintain records of meetings of the Board and Board Committees and ensure effective management of such records;

(e) Prepare minutes to document Board and Board Committee's proceedings and ensure that outcomes of such proceedings are accurately recorded;

(f) Timely disseminate the information relevant to Directors' roles and functions and keep the Directors updated on new or evolving corporate governance requirements; and

(g) Carry out other functions as deemed appropriate by the Board from time to time.

12.5 All Directors shall have direct access to the advice and services of the Bank Secretary.

13 The Chairman - GCEO relationship

13.1 The roles of the Chairman and GCEO shall be distinct and separate with a clear division of responsibilities of the Chairman and the GCEO. The Chairman of the Board should not have an executive position or responsibility in the Bank, including its subsidiaries.

13.2 By having a non-executive position, the Chairman assumes an important role in encouraging a healthy debate on critical issues and brings to the Board the required level of independence and professional scepticism.

13.3 The GCEO is entrusted with the overall management and control of the operational aspects of the Bank's business.

Section C: Board processes

14 Appointment, re-appointment and removal of directors

14.1 The appointment, reappointment, and removal of directors shall be conducted in accordance with the Bank's Board Nomination and Appointment Framework and Board of Director Policy, which has adopted BNM's Fit and Proper criteria and a clear and transparent nomination and appointment process.

14.2 Each Director must be assessed against the requirements set out in the BNM CGPD, the fit and proper requirements, and the disqualification factors under Section 7 of the DFIA, at least annually, and/or 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.

15 Limitation on External Commitment

15.1 Each Director must not hold more than five (5) directorships in listed companies and fifteen (15) directorships in non-public listed companies. This is to ensure that his/her competing time commitment will not impair his/her ability to discharge his/her duties effectively.

15.2 If a Director holds position on the Board of entities within the same Group, their directorship shall be considered as one directorship.

16 Performance and assessment

16.1 On an annual basis, the Board through Board Nomination and Remuneration Committee shall objectively evaluate the performance and effectiveness of the Board, Board Committees and Individual Directors (BEE exercise).

16.2 The Board shall periodically engage independent experts to conduct the BEE exercise to assist in and lend objectivity to these exercises.

16.3 The Board Nomination and Remuneration Committee shall further undertake the assessment on the independence of the Bank's Independent Directors, upon admission, annually and as and when there are changes in regard to the interest or relationship of its Directors.

17 Independence of Directors

17.1 The Board has adopted the definition of independence setting out the interests and relationships to be considered by the Board in assessing the independence of each Director. The criteria for assessing independence are outlined in the Board Nomination and Appointment Framework.

17.2 The Board, with the assistance of the Board Nomination and Remuneration Committee shall undertake the assessment on the independence of the Bank's Independent Directors, upon admission, annually and as and when there are changes in regard to the interest or relationship of its Directors.

18 Tenure of Directors

18.1 The appointment of the Chairman and other Director shall be for period not exceeding two (2) years and any such appointee shall be eligible for reappointment. This is supported by the annual assessment of the Director's performance.

18.2 The tenure for Independent Directors should not exceed nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

19 Remuneration of Directors

19.1 In accordance with *Subsection 2(3) of Bank Rakyat Act*, the remuneration and allowances of the Directors of the Bank, including Chairman and the GCEO, shall be determined by the Minister with the concurrence from the Minister of Finance ("MOF").

19.2 Notwithstanding the above, it is the responsibility of the Board Nomination and Remuneration Committee to develop and submit to the Board for its deliberation and recommendation, a fair and equitable remuneration package for the Directors.

20 Training and development for Directors

20.1 **Induction programme for newly appointed Directors**

20.1.1 Newly appointed Directors are to attend an induction programme where they will be briefed by MANCO personnel on the organisational structure of the Bank, the functions, operations and areas of responsibilities of the various divisions of the Bank. Such induction is to take place within three months of the Director's appointment.

20.1.2 Details on the induction process are stipulated in the Board Nomination and Appointment Framework.

20.2 **On-going training and development**

20.2.1 The Board shall ensure sufficient resources and adequate budget towards the training and development needs of the Directors.

20.2.2 The Board shall evaluate, on a continuous basis, the training needs of its Directors and identify the areas of training which would benefit the Board in meeting the challenges of leading the Bank.

20.2.3 Results from the Board and Board Committee Assessments, namely the Directors' skill sets assessment, shall provide indicators on the training needs of the Directors. Identified training needs shall be acted upon (e.g. through the Director attending structured training courses) to further equip that Director with the knowledge and skills necessary to fulfil his/her responsibilities.

20.2.4 Details on the training and development process are in the Board Education Programme in the Board Nomination and Appointment Framework.

21 Board meetings

21.1 **Proceedings**

21.1.1 The Chairman in leading the Board, is responsible, in consultation with the GCEO and the Bank Secretary, for the conduct of all matters at Board meetings. This includes being satisfied that agendas items are comprehensive, appropriate and that the matters for consideration and recommendations made by the Board fit within the broad strategic direction set by the Board.

21.1.2 The Bank Secretary calls for a meeting of the Board whenever directed to do so by the Chairman. In the event the approval from the Chairman cannot be obtained, the request shall be approved by the majority of the Directors.

21.2 **Frequency of meeting**

21.2.1 The Board shall meet as often as is necessary but not less than once every month.

21.2.2 In the event that a meeting cannot be held due to any reasonable circumstance, prior approval from the Chairman must be obtained before rescheduling the meeting.

21.3 **Notice of meeting**

21.3.1 Unless otherwise agreed by the Directors, the notice of each meeting confirming the venue, date and time together with the brief agenda of the meeting is given to the Directors not less than seven days prior to the date of the meeting. Any short notice shall be subject to waiver by the Board or the relevant Board Committee.

21.3.2 Detailed agenda and briefing materials (where applicable) are distributed to the Directors in a timely manner prior to the date of the Board meeting.

21.4 **Attendance at Board meetings**

21.4.1 Each 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 a Board meeting on his behalf such as an alternate director.

21.4.2 If the Chairman is unable to attend a Board meeting, the Directors present may elect any one of them to be the chairman of the meeting.

21.4.3 Any member of the MANCO team or any other employee of the Bank, who may possess information that is useful to the Board, may be invited to attend Board meetings and must be available to be contacted by Directors prior to or between the meetings.

21.4.4 The Board may invite a member of the Shariah Committee to attend a meeting of the Board.

21.4.5 The Chairman and/or other Directors must be available to meet with Bank Negara Malaysia and other governmental and regulatory bodies to explain, seek clarification or follow up on any matter deliberated at Board meetings or Board Committee meetings.

21.5 **Quorum and participation**

21.5.1 At least 50% of the Board members (whichever is higher) of which a majority must be represented by Independent Directors should be present at a meeting, including the person presiding, constitute a quorum provided that:

(a) a Director who has interest in a contract or proposed contract or transaction or arrangement or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in decisions; and

(b) a Director participating in the meeting via tele-conferencing device is counted for the purpose of determining a quorum.

21.6 **Minutes of meetings**

21.6.1 The Bank Secretary shall record minutes of the proceedings and resolutions passed at Board meetings.

21.6.2 Minutes of all meetings are to be signed by the Chairman or the Chairman of the meeting.

21.6.3 Minutes of all Board meetings are to be circulated to Directors and confirmed as correct by the Board at the subsequent meeting.

21.7 **Voting**

21.7.1 A matter put to vote at Board meetings is decided by a majority of the votes cast and in the event of an equality of votes, the Chairman of the meeting has the casting vote.

21.7.2 However, in the case where the subject matter being put to vote involves financing with connected parties, the transaction shall be approved by not less than three quarters of all Board members present, and such approval shall be duly recorded in the minutes of the meeting.

21.7.3 A Director is required to abstain from deliberations and voting in respect of any contract or proposed contract or arrangement in which he/she has direct or indirect interest.

21.8 **Declaration of conflict of interest**

21.8.1 In accordance with DFIA 2002, a Director shall make the disclosure by way of a written notice to all members of the Board and the Bank Secretary:

(a) As soon as is practicable after being aware of his interest in the material transaction or arrangement; and

(b) If the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.

21.8.2 At the commencement of the meeting, the Secretary ascertains the existence of conflicts of interest and minutes them accordingly.

21.9 **Circular resolution**

21.9.1 Decisions of the Board may be made by circular of the Board may be made by circular resolution in between scheduled meetings. A resolution in writing, signed and/or approved by all the Directors via hardcopy and/or any other appropriate means of communication and entitled to receive notice of a meeting of the Directors, is valid and effectual as it if has been passed at a meeting of the Directors duly convened and held.

21.9.2 All circular resolutions are to be notated at the subsequent Board meeting.

21.9.3 The Board is to refrain from using circular resolutions to approve complex matters and/or financial matters except with approval from the Bank's Chairman, the requiring rigorous discussion and consideration.

Section D: Administration

22 Review of Charter

22.1 This Charter has been approved by the Board. Any amendments to this Charter must be approved by the Board.

22.2 The Board shall review this Charter periodically, to ensure it remains consistent with the Board's objectives and responsibilities.

22.3 The Bank Secretary shall ensure that the provisions of Charter continue to comply with corporate governance requirements applicable to the Bank and, if necessary, shall suggest amendments to the Charter for consideration by the Board.

23 Publication of Charter

23.1 Key features of this Charter are to be outlined in the Bank's Annual Report and on its corporate website.

(Endorsed by the Board on: 30 January 2026)

Revision Record			
No.	**Revision No.**	**Endorsed by**	**Revised by (Name, Department)**
1	22 July 2014	Board	Bank Secretary
2	27 March 2018	Board	Bank Secretary
3	25 February 2020	Board	Bank Secretary
4	14 May 2024	Board	Secretarial Services
5	20 December 2024	Board	Secretarial Services
6	30 January 2026	Board	Secretarial Services