



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 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.

1.2.4 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.

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 [*Subsection 1(1), First Schedule, Bank Rakyat Act*].

2.1.2 The Board shall periodically review and evaluate the size of the Board, with view to promote effective deliberation, encourage active participation of all Directors and 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 (*Standard 11.1 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 11.1 of BNM CG Guidelines applicable to DFI, 2019*).

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 (*Standard 11.6 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 11.7 of BNM CG Guidelines applicable to DFI, 2019*).
- 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 Nomination and Appointment Framework.
- 2.2.3 The Chairman and other directors shall be non-executive members of the Board and Chairman shall not have served as the Managing Director / Chief Executive Officer (CEO) of the Bank in the past five years (*Standard 11.3 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 11.4 of BNM CG Guidelines applicable to DFI, 2019*).
- 2.2.4 The Board shall also comprise no more than one (1) Executive Director (*Standard 11.4 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 11.5 of BNM CG Guidelines applicable to DFI, 2019*).

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 (*Guideline 2.17, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 2.3.2 Core competencies refer to knowledge in regards to the following disciplines (*Guideline 2.17, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*):
 - (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 the Managing Director / CEO, must possess banking 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. (*Standard 11.5 of BNM CG Guidelines applicable to DFI, 2019*).

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 determine and regularly review the composition of the Board having regard to the optimum skill mix and competencies of Directors (*Standard 11.2 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 11.2 of BNM CG Guidelines applicable to DFI, 2019*).

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 access to the records, properties and personnel of the Bank;
- (d) Seek independent professional advice 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 (*Guideline 2.03, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

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' interests (*Guideline 2.02, BNM Corporate Governance Guidelines for Development Financial Institutions 2011, and Standard 8.2 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 8.3 of BNM CG Guidelines applicable to DFI, 2019*).

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 has delegated day-to-day management of the Bank to the Managing Committee.

4.2 **Key responsibilities of the Board**

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

- (a) 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;
- (b) Oversee the selection, performance, compensation and succession plans of the Managing Director / CEO, control function heads and other members of the Senior Management team, such that the Board is satisfied with the collective competence of Senior Management to effectively manage operations of the Bank;
- (c) Evaluate the training needs of Directors on a continuous basis and identify areas that would further their understanding of issues facing the Bank;
- (d) Oversee the implementation of the Bank's governance, including Shariah governance framework, internal control environment and periodically review them to adequately reflect 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;
- (e) Promote sustainability through appropriate environmental, social and governance considerations in the DFI's business strategies;
- (f) Promote, together with the Senior Management team, a corporate culture within the Bank that emphasises ethical, prudent and professional behaviour;
- (g) Oversee and approve the recovery and business continuity plans for the Bank to restore its financial strength, critical operations and critical services when it comes under stress;
- (h) Promote timely and effective communications between the Bank and the regulators on matters affecting or that may affect the safety and soundness of the Bank.

[Standard 8.3 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 8.3 of BNM CG Guidelines applicable to DFI, 2019) and Shariah Governance Framework for Islamic Financial Institutions 2019].

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. The duty requires the Board to:
- (a) give sufficient attention to the facts, rationale and basis for any decisions or advice of the Shariah committee before arriving at its own decision;
 - (b) give fair consideration to the implications of implementing any decisions or advice of the Shariah committee;
 - (c) put in place conflict resolution mechanism to deal with any differences in views between the board and the Shariah committee; and
 - (d) maintain a record of deliberations between the board and the Shariah committee
- 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 Shariah governance framework. The board must regularly review the quality and frequency of its engagement with the Shariah committee.

[Standard 8.3 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 8.3 of BNM CG Guidelines applicable to DFI, 2019) and Shariah Governance Framework for Islamic Financial Institutions 2019].

5 Matters reserved for the Board's deliberation and approval

- 5.1 The matters reserved for Board's deliberation and approval as outlined in Section 5.2 to Section 5.7 are non-exhaustive.

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 (*Guideline 2.10, BNM Corporate Governance Guidelines for Development Financial Institutions 2011; and Guidance to Practice 1.1 of Malaysian Code of Corporate Governance*);

- 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 key Senior Management personnel.

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

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

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

5.3.2 Approve major capital commitments, capital management, acquisitions and divestitures, with the consent of the Minister and with concurrence of the Minister of Finance [*Section 14(4), Bank Rakyat Act*];

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

5.3.4 Approve financial statements; and

5.3.5 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.

5.4 **Risk management and audit**

5.4.1 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;

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

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

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

5.4.5 Select, appoint and terminate the appointment of the external auditor, with the consent of the Minister and with concurrence of the Minister of Finance [*Section 23(1), Bank Rakyat Act*]; and

5.4.6 Oversee the 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 (*Guideline 2.10, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

5.5 Appointment and remuneration of Directors and Senior Management personnel

- 5.5.1 Review and approve formal policies defining “fit and proper” standards (“Nomination and Appointment Framework”) for Directors and Senior Management personnel and ensure compliance with these standards on continuing basis;
- 5.5.2 Review and approve the appointment, job grade, promotion, remuneration, compensation and removal of key Senior Management personnel, subject to the approval by BNM and the Minister (*Section 4, Bank Rakyat Act*);
- 5.5.3 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 (*Guideline 2.10, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*);
- 5.5.4 Establish and regularly review succession plans to promote Board and Senior Management renewal and address unplanned vacancies (*Standard 10.6 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 10.6 of BNM CG Guidelines applicable to DFI, 2019*) and
- 5.5.5 Review and approve policies and programmes for succession planning for the orderly succession within the Senior Management team, and ensure that all candidates appointed to Senior Management positions are of sufficient calibre and competency. Monitor the Senior Management team’s performance on an ongoing basis (*Guideline 2.10, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 5.5.6 Unless the written approval of the Minister has been obtained –
 - (a) The Bank will not publicly announce the proposed appointment or reappointment of the Managing Director / CEO; and
 - (b) a Managing Director / CEO 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 Managing Director / CEO. [*Standard 17.10 of BNM CG Guidelines applicable to DFI, 2019*].

5.6 Compliance and legal

- 5.6.1 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 (*Guidelines 2.1 and 2.2, BNM Shariah Governance Framework for Islamic Financial Institutions*);
- 5.6.2 Review and approve the appointment, powers and removal of corporate representatives and lawful attorneys acting on behalf of the Bank; and
- 5.6.3 Review and approve Management’s responses by the regulatory authorities in relation to compliance with regulatory requirements.

5.7 Disclosure

- 5.7.1 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”);
- 5.7.2 Establish a communications policy that enables both the Board and Senior Management team to communicate effectively with its members, the stakeholders and the public (*Practice 11.1 of Malaysian Code on Corporate Governance*). 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
- 5.7.3 Ensure that the Bank discloses its sustainability policies and their implementation status in the annual report and on the corporate website (*Appendix 9C, Part A, Bursa Malaysia’s Main Market Listing Requirements*).

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) Audit and Examination Committee;
 - (b) Risk Committee;
 - (c) Nomination and Remuneration Committee;
 - (d) Tender Committee;
 - (e) Investment Committee;
 - (f) Financing Committee; and
 - (g) Oversight Committee.
- 6.3 Where necessary, the Board shall establish ad-hoc Board Committees to consider matters of special importance or to exercise the delegated authority of the Board.
- 6.4 The Board shall approve terms of reference of the standing and additional Board Committees, including the terms of reference 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.
- 6.6 **Guiding principles in the composition of Board Committees**
 - (a) 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 (*Standard 12.4 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 12.4 of BNM CG Guidelines applicable to DFI, 2019*).

- (b) With the exception of the Board Nomination committee, Board Committees shall not have any Executive Director as a member (*Standard 12.5 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 12.5 of BNM CG Guidelines applicable to DFI, 2019*).
- (c) 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;
- (d) 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
- (e) 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 Code of conduct for the Board

7.1 Code of Ethics for Directors

- 7.1.1 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.
- 7.1.2 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.
- 7.1.3 A Director must not engage in conduct likely to bring disrepute upon the Bank.
- 7.1.4 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.
- 7.1.5 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. (*Standard 18.3 of BNM CG Guidelines applicable to DFI, 2019*).

7.2 Director's time commitment

- 7.2.1 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 (*Guideline 2.62, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 7.2.2 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.
- 7.2.3 Directors shall not be active politicians within the meaning of the Bank's Code of Ethics and Business Conduct.
- 7.2.4 Unless BNM approves otherwise in writing, the Managing Director / CEO 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 (*Guideline 2.61, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

7.2.5 The Managing Director / CEO 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.

7.3 Conflict of interest

(Guideline 2.85, BNM Corporate Governance Guidelines for Development Financial Institutions 2011)

7.3.1 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.

7.3.2 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.

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

7.3.4 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.

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

7.4 Duty of care and diligence

7.4.1 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.

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

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

7.4.4 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.

7.5 Whistleblowing Policy

7.5.1 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.

- 7.5.2 Whistleblowing policy 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

[Standard 18.5 of BNM CG Guidelines applicable to DFI, 2019).

Section B: Roles of the Chairman, Directors, Managing Director / CEO and Bank Secretary

8 Role of the Chairman

- 8.1 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 Senior Management team, and in consultation with the Senior Management team, sets the agenda for each Board meeting.
- 8.2 The role of the Board Chairman is to:
- 8.2.1 Smooth functioning of the board, the governance structure and inculcating positive culture in the board;
 - 8.2.2 Guidelines and and procedures are in place to govern the board's operation and conduct;
 - 8.2.3 All relevant issues are on agenda for board meeting and all directors are able to participate fully in the board's activities;
 - 8.2.4 Board debates strategic and critical issues;
 - 8.2.5 Board receives the necessary information on a timely basis from the management;
 - 8.2.6 Avenues are provided for all directors to participate openly in the discussion;
 - 8.2.7 That he provides leadership to the board and is responsible for the developmental needs of the Board; and

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

9 Role of the Independent Non-Executive Directors

- 9.1 The effective participation of Independent Non-Executive 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 (*Guideline 2.29, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 9.2 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.

(Guideline 2.29, BNM Corporate Governance Guidelines for Development Financial Institutions 2011)

10 Role of the Managing Director / CEO

- 10.1 The Managing Director / CEO heads the Bank's Management Committee and assumes the overall responsibility for the execution of the Bank's strategy.
- 10.2 The Managing Director / CEO, 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.
- 10.3 The key roles of the Managing Director / CEO 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.

[Guideline 2.29, BNM Corporate Governance Guidelines for Development Financial Institutions 2011].

11 Role of the Bank Secretary

- 11.1 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 (*Standard 15.4 of BNM CG Policy Document issued to Financial Institutions, 2016/ Standard 15.4 of BNM CG Guidelines applicable to DFI, 2019*).
- 11.2 The Bank Secretary is expected to provide advice on corporate governance matters.
- 11.3 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.
- 11.4 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 Senior Management 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 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.
- 11.5 All Directors shall have direct access to the advice and services of the Bank Secretary.

12 The Chairman-Managing Director / CEO relationship

- 12.1 The roles of the Chairman and Managing Director / CEO shall be distinct and separate with a clear division of responsibilities of the Chairman and the Managing Director / CEO. The Chairman of the Board should not have an executive position or responsibility in the Bank, including its subsidiaries (*Guideline 2.36, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 12.2 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 (*Guideline 2.36, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 12.3 The Managing Director / CEO is entrusted with the overall management and control of the operational aspects of the Bank's business.

Section C: Board processes

13 Appointment, re-appointment and removal of directors

13.1 Appointment

- 13.1.1 The appointment process of Directors shall be conducted in accordance with the Bank's Board Nomination and Appointment Framework, which has adopted BNM's Fit and Proper criteria.
- 13.1.2 The Board shall consider and recommend a new Director upon appropriate recommendation from the Nomination Committee. Details of the evaluation process are provided for in the Board Nomination and Appointment Framework as well as the Charter of Nomination Committee.
- 13.1.3 Notwithstanding the above, in accordance with the Bank Rakyat Act, the appointment of Directors, including the Chairman, shall be approved by the Minister, upon verification from BNM on whether a person to be appointed as a Director or Managing Director / CEO satisfies the 'fit and proper' criteria as set out in Section 6(2) of Development Financial Institutions Act 2002 ("DFIA 2002").
- 13.1.4 All new members and re-appointed members of the Board shall be provided with formal letter of appointment issued by the Bank, setting out the key terms and conditions of their appointment or re-appointment which among others, include roles and responsibilities, tenure and maximum age limit (*Guideline 2.50, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

13.2 Re-appointment of Directors

- 13.2.1 The re-appointment of any person as a Director or Managing Director / CEO shall be in compliance with the requirements of DFIA 2002, i.e. that the Director or Managing Director / CEO continues to meet the 'fit and proper' criteria (*Paragraph 19 of Appendix 3, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 13.2.2 The attendance of the Director shall be at least 75% of the Bank's Board meetings in a year as a demonstration of the Director's commitment in terms of his time (*Paragraph 13 of Appendix 3, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 13.2.3 The re-appointment of Directors shall take into consideration results of that Director's assessments of his performance on the Board, as set out in Board Nomination and Appointment Framework.
- 13.2.4 Upon expiry of the term and until BNM grants the verification for the reappointment of the Director or Managing Director / CEO, the Director or Managing Director / CEO is not deemed to be a Director or Managing Director / CEO pursuant to the requirements under DFIA 2002, and cannot perform a role as a Director or Managing Director / CEO of the Bank (*Guideline 2.45, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

13.3 Removal of directors

- (*Standard 10.13 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 10.14 of BNM CG Concept Paper for DFIs, 2016 (draft)*).

- 13.3.1 The terms of the appointment shall also provide an avenue for the removal of a Director or Managing Director / CEO.
- 13.3.2 In the event that the Director no longer meets the minimum requirements set out in DFIA 2002, or has been assessed to be ineffective, errant or otherwise unsuited for carrying out his responsibilities via the Board Assessment process, the Director shall be deemed to no longer meet the fit and proper criteria and shall be subject to removal.
- 13.3.3 The Bank shall notify BNM of any removal or resignation of an Independent Director or any proposal by a member to remove an Independent Director.

14 Performance and assessment

- 14.1 On an annual basis, the Board shall evaluate the effectiveness of the Board and in meeting the requirements of its Board Charter, including the assessment on the Board as a whole, the Board Committees, and of individual Directors (*Guideline 2.76, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 14.2 The Board shall periodically engage independent advisors to assist in and lend objectivity to these evaluations.
- 14.3 The Nominating 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 regards to the interest or relationship of its Directors (*Guideline 2.24, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

15 Independence of Directors

- 15.1 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.
- 15.2 The Board, with the assistance of the Board Nomination 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 regards to the interest or relationship of its Directors (*Guideline 2.24, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

16 Tenure of Directors

- 16.1 The appointment of a Director / Managing Director / CEO shall be for an initial term of not exceeding three (3) years and for each reappointment term of not exceeding two (2) years. This is supported by the annual assessment of the Director's performance (*Guideline 10.13, BNM Corporate Governance Guidelines for Development Financial Institutions, 2016 Concept Paper*).
- 16.2 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 (*Standard 11.9 of BNM CG Policy Document issued to Financial Institutions, 2016/Standard 11.10 of BNM CG Concept Paper for DFIs, 2016 (draft); Practice 4.3, Malaysian Code of Corporate Governance*).

17 Remuneration of Directors

- 17.1 In accordance with *Subsection 2(3) of Bank Rakyat Act*, the remuneration and allowances of the Directors of the Bank, including Chairman and the Managing Director / CEO, shall be determined by the Minister with the concurrence from the Minister of Finance (“MOF”).
- 17.2 Notwithstanding the above, it is the responsibility of the Remuneration Committee to develop and submit to the Board for its deliberation and recommendation, a fair and equitable remuneration package for the Directors.

18 Training and development for Directors

18.1 Induction programme for newly-appointed Directors

- 18.1.1 Newly appointed Directors are to attend an induction programme where they will be briefed by Senior Management 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 (*Guideline 2.59, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).
- 18.1.2 Details on the induction process can be found in the Board Nomination and Appointment Framework.

18.2 On-going training and development

- 18.2.1 The Board shall dedicate sufficient resources towards the training and development needs of the Directors.
- 18.2.2 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.
- 18.2.3 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.
- 18.2.4 Details on the training and development process are in the Board Education Programme in the Board Nomination and Appointment Framework.

19 Board meetings

19.1 Proceedings

- 19.1.1 The Chairman is responsible, in consultation with the Managing Director / CEO 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.
- 19.1.2 The Bank Secretary calls for a meeting of the Board whenever directed to do so by the Chairman or upon the receipt of a request to do so from at least three Directors.

19.2 Frequency of meeting

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

19.3 Notice of meeting

19.3.1 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 Board meeting.

19.3.2 Detailed agenda and briefing materials (where applicable) are distributed to the Directors in a timely manner prior to the date of the Board meeting (*Practice 1.5, Malaysian Code on Corporate Governance*).

19.4 Attendance at Board meetings

19.4.1 Each Director must attend at least 75% of the Board meetings held in each financial year.

19.4.2 If the Chairman is unable to attend a Board meeting, the Directors present may elect any one of them (but not the Managing Director / CEO) to be the chairman of the meeting.

19.4.3 Any member of the Senior Management 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.

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

19.4.5 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.

19.5 Quorum and participation

19.5.1 Five directors or at least 50% of the Board members (whichever is higher) 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 (*Guideline 2.69, BNM Corporate Governance Guidelines for Development Financial Institutions 2011*).

19.6 Minutes of meetings

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

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

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

19.7 Voting

- 19.7.1 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.

- 19.7.2 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 (*Standard 8.1 of BNM Guidelines on Financing Facilities with Connected Parties*)¹.

- 19.7.3 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.

19.8 Declaration of conflict of interest

- 19.8.1 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.

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

19.9 Circular resolution

- 19.9.1 Decisions of the Board may be made by circular resolution in between scheduled meetings. A resolution in writing, signed by all the Directors for the time being present in Malaysia and entitled to receive notice of a meeting of the Directors, is valid and effectual as if it has been passed at a meeting of the Directors duly convened and held.

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

- 19.9.3 The Board is to refrain from using circular resolutions to approve complex matters requiring rigorous discussion and consideration (*Paragraph 2.6.1, Bursa Malaysia Corporate Governance Guide*).

¹ Where the Board delegates its authority for the approval of financing facilities with connected parties that are not of a material nature to other officers, the delegation shall be in accordance with the parameters and terms set by the Board. The said parameters and delegation of the parameters are to be approved on an unanimous basis, with no less than 75% of Board members present (*Standard 8.2 of the BNM Guidelines on Financing Facilities with Connected Parties*).

Section D: Administration

20 Review of Charter

- 20.1 This Charter has been approved by the Board. Any amendments to this Charter must be approved by the Board.
- 20.2 The Board shall review this Charter periodically, to ensure it remains consistent with the Board's objectives and responsibilities.
- 20.3 The Bank Secretary shall ensure that the provisions of Charter continues to comply with corporate governance requirements applicable to the Bank and, if necessary, shall suggest amendments to the Charter for consideration by the Board.

21 Publication of Charter

- 21.1 Key features of this Charter are to be outlined in the Bank's Annual Report and on its website (*Standard 22.6 of BNM CG Policy Document issued to Financial Institutions, 2016/ Standard 22.4 of BNM CG Guidelines applicable to DFI, 2019*).

(To be Endorsed by the Board on: 25 February 2020)

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