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Function / Department Owner:	Corporate Secretarial, Group Corporate Secretarial & Legal Services
Document Title:	Board Charter

# **BOARD CHARTER**

**Version 2.0**

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**Document History**

<b>Document Owner</b>	General Counsel and Group Company Secretary					
<b>Approved By &amp; Date (Board of Directors)</b>	Board of Directors ("Board") 29 July 2020					
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	Review	Superseded				
1. -	1. Board Charter					
Effective Date	Dd mm yyyy					
Related Regulations and Legislation	<p>This document must be read together with the following documents : -</p> <ul style="list-style-type: none"> <li>i) Development Financial Institutions Act 2002</li> <li>ii) Companies Act 2016</li> <li>iii) BNM Policy Document on Corporate Governance (13 December 2019)</li> <li>iv) BNM Policy Document on Shariah Governance (20 September 2019)</li> <li>v) BNM Policy Document on Risk Governance (3 January 2013)</li> <li>vi) MOF Guideline on Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan) (Disember 2014)</li> <li>vii) BNM External Auditor (20 October 2016)</li> <li>viii) BNM Policy on Outsourcing (23 October 2019)</li> </ul>					
Related Internal Document	<ul style="list-style-type: none"> <li>i) BPMB Authority Matrix</li> <li>ii) Code of Ethics and Business Conduct of Board of Directors and Shariah Committee</li> <li>iii) Policy on Fit and Proper for Board of Directors, Shariah Committee and P/GCEO</li> <li>iv) Governance and Risk Management Framework</li> <li>v) BPMB Financing Facilities with Connected Parties</li> </ul>					
Frequency of Review	(This document shall be reviewed as and when required following changes to BPMB's regulatory, or business, and/or operational environmental requirement. Any amendment to, or deviation from, this document must be approved by the Board of Directors.)					

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**Document Version Control**

Version No.	Issuance Date	Documented / Updated By	Change Request By	Key Changes
2.0				i) To change the format to "Policy/ Framework" ii) To update the Policy to be in line with the BNM Policy Document on Corporate Governance and Shariah Governance

**Verified by**

Name	Designation	Signature	Date
Hazlinda Ahmad Rosdi	Manager, Group Corporate Secretarial	<b>-SIGNED-</b>	<b>2 May 2020</b>

**Document Signoff (Functional C-Suite /Head at Level C-1)**

Name	Designation	Signature	Date
Zarina Nadzimuddin	General Counsel & Group Company Secretary	<b>-SIGNED-</b>	<b>2 May 2020</b>

**Note:**

*For cross-functional document, all affected Functional C-Suite/Head at level C-1 to cosign the document.*

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**Acronym**

<b>BITC</b>	Board Information Technology Committee
<b>BNM</b>	Bank Negara Malaysia
<b>BAC</b>	Board Audit Committee
<b>BCC</b>	Board Credit Committee
<b>BNRC</b>	Board Nomination and Remuneration Committee
<b>BOD</b>	Board of Directors or the Board
<b>BPMB</b>	Bank Pembangunan Malaysia Berhad
<b>BPMB Group or the Group</b>	Bank and its subsidiaries
<b>BRMC</b>	Board Risk Management Committee
<b>CA 2016</b>	Companies Act 2016
<b>CEO</b>	Chief Executive Officer
<b>Code of Ethics</b>	Code of Ethics and Business Conducts for Board of Directors and Shariah Committee
<b>DFIA 2002</b>	Development Financial Institutions Act 2002
<b>FIDE</b>	Financial Institutions Directors' Education
<b>MOF Inc.</b>	Minister of Finance (Incorporated)
<b>P/GCEO</b>	President/Group Chief Executive Officer
<b>SAC</b>	Shariah Advisory Council
<b>SC</b>	Shariah Committee
<b>TOR</b>	Terms of Reference

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**1.0 INTRODUCTION**

- 1.1 The Board of Directors of BPMB acknowledges the importance of developing and maintaining a framework of corporate governance that is robust and sound, to promote a culture of integrity and transparency throughout BPMB Group. In this regard, all Directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern Directors’ conduct and their relationship with the Group’s stakeholders; and
- 1.2 The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance, ethical and prudent practices throughout the Bank. The Board sets the Group’s corporate values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 1.3 This Board Charter outlines, among others, the respective roles, responsibilities and authorities of the Board in setting the direction, management and control of the Bank in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by BNM and other relevant regulatory authorities.

**2.0 THE BOARD’S ROLES AND RESPONSIBILITIES**

- 2.1 The Board should collectively and individually have sound and sufficient knowledge and expertise to enable effective governance and oversight. The Board also has fiduciary responsibility to act in the best interest of the Bank and overall responsibility for promoting the long-term sustainable growth and financial soundness of BPMB Group in fulfilling its mandate, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board’s decisions on BPMB and its staff, subsidiaries, customers, depositors, members, officers and the general public.
- 2.2 The Board shall at all times exercise its powers in accordance with DFIA 2002 and CA 2016, for a proper purpose and in good faith in the best interest of the Bank. The duties of the Board towards the Bank include :-
  - 2.2.1 exercise reasonable care, skill and diligence with :-
    - 2.2.1.1 the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and
    - 2.2.1.2 any additional knowledge, skill and experience which a Director has.
  - 2.2.2 exercise powers conferred on him/her for the purposes for which such powers are conferred;
  - 2.2.3 exercise sound and independent judgment; and
  - 2.2.4 comply with any standards specified by BNM which are applicable to a Director.

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2.3 The Board shall assume, among others, the following responsibilities :-

**2.3.1 Corporate Governance, Policy and Strategic Matters for the Group**

- 2.3.1.1 Regularly review and affirm BPMB’s mandate, taking into account changes in the economy and financial system. Where relevant, the Board shall make recommendations to the Government in consultation with BNM, for a review of its mandate;
- 2.3.1.2 Review, challenge and approve the strategic or business plans, financial objectives, major capital and operating budget and matters of policy proposed by Management for the Group, taking into account the sustainability of the Group's business, with attention given to the environmental, social and governance considerations in BPMB’s business strategies;
- 2.3.1.3 Ensure that the Group’s strategic focus is clearly defined and is in line with its mandated roles;
- 2.3.1.4 Oversee the governance arrangements, which should promote transparency and accountability in the management and decision making processes within BPMB, and ensure that P/GCEO effectively implements the governance arrangements across all functions of BPMB;
- 2.3.1.5 Promote through appropriate communication policies and practices, timely and effective communication between BPMB and BNM and stakeholder ministries on matters affecting or that may affect the safety, soundness and mandate of BPMB;
- 2.3.1.6 Act in the best interest of BPMB, free from any undue external influence which could undermine BPMB’s approved mandate and financial soundness;
- 2.3.1.7 Review and monitor Management’s performance in implementing the approved strategies, plans and budget and ensure that any corrective action is taken, if necessary; and
- 2.3.1.8 Ensure that the corporate governance disclosures are accurate, clear and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

**2.3.2 Shariah Governance and Compliance**

The Board’s oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of BPMB. In fulfilling this role, the Board must : -

- 2.3.2.1 Promote Shariah compliance in accordance with expectations set out in BNM Policy Document on Shariah Governance and ensure its effective integration with the Bank’s business and risk strategies;

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- 2.3.2.2 Institutionalise a robust Shariah governance framework that commensurate with the size, complexity and nature of BPMB;
- 2.3.2.3 Approve all policies relating to Shariah governance structure and reporting arrangements, Shariah risk management and other areas that are material to the effective implementation of governance within the Bank and to ensure that such policies are implemented effectively;
- 2.3.2.4 Oversee the implementation of SAC rulings and decisions or advice of the SC within all business and functional lines, including any business or risk implications arising from such implementation;
- 2.3.2.5 Oversee the implementation of the internal control framework to prevent Shariah non-compliance and approve any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance;
- 2.3.2.6 Oversee the performance of senior management and other officers entrusted to implement Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives;
- 2.3.2.7 Promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah; and
- 2.3.2.8 Continuously develop and strengthen the Director’s knowledge and understanding on Islamic finance business as well as keep abreast with developments that may impact Islamic financial business, to fulfil his responsibility to BPMB.

**2.3.3 Risk Governance and Internal Control**

- 2.3.3.1 Approve BPMB’s overall risk strategy, including the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank’s risk profile and continuing ability to support its mandate and oversee its implementation;
- 2.3.3.2 Ensure that the Group establish comprehensive risk management policies, process and infrastructure, to identify, measure, monitor and control the various types of risks and ensure the implementation of appropriate systems to manage these risks;
- 2.3.3.3 Oversee the implementation of the BPMB’s internal control framework and management information systems, and periodically review the adequacy and integrity whether these remain appropriate in light of material changes to the size, nature and complexity of BPMB’s operations;
- 2.3.3.4 Oversee the governance of outsourcing arrangements, as per BPMB’s Outsourcing Policy; and

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2.3.3.5 Ensure that all control functions and internal audit have the proper authority and are adequately staffed and resourced to carry out their responsibilities independently and effectively.

**2.3.4 Succession Planning**

2.3.4.1 Oversee the selection, performance, remuneration and succession plans of the P/GCEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of BPMB and

2.3.4.2 Oversee the development and effective implementation of a performance measurement framework for BPMB that is aligned with its mandate.

**2.3.5 Conduct of the Group's business**

2.3.5.1 Oversee the conduct of the Group's business, including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management;

2.3.5.2 Oversee the conduct and the performance of the Group's businesses to ensure that the Group is appropriately and soundly managed;

2.3.5.3 Monitor the financial performance against the approved budget;

2.3.5.4 Conduct a review on the Group's funding requirements on a continuing basis, including any activities pertaining to Group raising financing arrangements to meet its funding requirements;

2.3.5.5 Promote, together with Senior Management, a sound corporate culture within BPMB which reinforces ethical, prudent and professional behaviour. This shall include ensuring that senior management 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; and

2.3.5.6 Oversee and approve the business continuity plans for BPMB to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.

**3.0 MATTERS RESERVED FOR THE BOARD**

3.1 In order to ensure that the direction and control of the Group are in the hands of the Board, the Board adopts a formal schedule of matters reserved for the Board's deliberations and decisions; and

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3.2 The following matters shall be reserved to the Board for determination and/or approval (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to a Committee of the Board) and as per BPMB Authority Matrix :-

**3.2.1 Strategy and Management**

- 3.2.1.1 Approval of the corporate strategies, business plans, key performance indicators and policies of the Bank and/or the Group;
- 3.2.1.2 Approval of investments and divestments, as prescribed by the Bank and/or BPMB Authority Matrix and merger and acquisitions, including establishment of subsidiaries;
- 3.2.1.3 Approval of the changes to the Corporate/Group Organisation Structure;
- 3.2.1.4 Approval of the extension of the Group’s activities into new business areas; and
- 3.2.1.5 Any decision to cease operations of all or any material part of the Group’s business.

**3.2.2 Financial / Reporting / Approving Authority**

- 3.2.2.1 Approval of BPMB Authority Matrix and Bank’s mandates, signatories and signing limits. This would include overseeing and review of the limits and breaches of BPMB Authority Matrix;
- 3.2.2.2 Approval of the Annual Budget and any changes to the Budget;
- 3.2.2.3 Approval of the guarantees and advances for amounts, as prescribed by the BPMB Authority Matrix;
- 3.2.2.4 Approval of the acquisition and disposal of assets of the Group;
- 3.2.2.5 Approval of all credit and investment proposals with connected party transactions and write-off proposals in relation to the connected party exposures;
- 3.2.2.6 Approval of Audited Financial Statements and quarterly results (if applicable) prior to release to BNM;
- 3.2.2.7 Approval of dividend policy and declaration of dividend, interim dividend and final dividend by the Bank. The Board must ensure that the Bank is solvent, both at the time of declaration as well as after distribution of dividend in accordance with the requirement stipulated in the CA 2016;
- 3.2.2.8 Approve the appointment/revocation of Attorneys for the Bank and to delegate any of its powers to the P/GCEO or other person deemed fit;
- 3.2.2.9 Approve procurement of works, supplies and services as prescribed by BPMB Authority Matrix;

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- 3.2.2.10 Approve Outsourcing Plan and material outsourcing arrangement;
- 3.2.2.11 Approval of any significant changes in accounting policies and practices; and
- 3.2.2.12 Approval of the extent to which the assets of the Group are pledged as security.

**3.2.3 Share and Debt Capital**

- 3.2.3.1 Recommendation to shareholders on changes relating to the Group’s capital structure including the amount of the Group’s authorized capital and reduction of capital.

**3.2.4 Board Membership, Board Oversight Committees, Shariah Committee Membership, President/Group Chief Executive Officer, Chief Executive Officer of Major Subsidiaries, Senior Officers, Company Secretary and External Auditors**

- 3.2.4.1 Delegation of oversight function to SC, Board Oversight Committees i.e. BAC, BNRC, BRMC, BCC, BITC and any other Board Oversight Committee(s) of the Bank and/or the Group or to any member of the Board and/or P/GCEO, as it deemed fit and to ensure that the powers so delegated are exercised in conformity to any prescribed regulations that may from time to time be imposed by the Board;
- 3.2.4.2 Any Director may, at the request of the Board or Board Oversight Committee, attend the SC or Board Oversight Committee meetings as ‘Invitee’ to the meeting, as and when necessary;
- 3.2.4.3 Approval of the Board Charter and TOR of the Board Oversight Committees and SC;
- 3.2.4.4 Determining the general composition of the Board (size, skill and balance between Executive Directors and Non-Executive Directors), following the recommendation of BNRC in order to ensure that the Board consists of the requisite diversity of skills, experience, gender qualification, and other core competencies required;
- 3.2.4.5 Approval of the appointment, re-appointment and removal of a Director, Board Oversight Committee member, SC member and P/GCEO as well as succession plan;
- 3.2.4.6 Approval of the appointment, re-appointment, removal, succession plan and performance evaluation of the CEO of Major Subsidiaries, Senior Officers and the Company Secretary, following the recommendations of BNRC;
- 3.2.4.7 Approval of the appointment, reappointment or removal of the external auditor and determine their remuneration, following the recommendation of BAC; and

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3.2.4.8 Approval of the appointment, re-appointment or removal of BPMB Board members or External Directors or P/GCEO or senior management at the Boards of subsidiaries or associated companies, where relevant (excluding Joint Venture-Shipowning Companies of GMVB), following the recommendation of BNRC.

**3.2.5 Remuneration Matters**

3.2.5.1 Approval of the remuneration policy of BPMB, periodic review, including when material changes are made to the policy;

3.2.5.2 Approval of the emoluments and benefits of the Board members, Board Oversight Committee members, SC members, P/GCEO, CEO of major subsidiaries, Senior Officers and the Company Secretary based on the assessment and recommendation of BNRC subject to BPMB's Constitution and MOF Inc.'s approval, where applicable;

3.2.5.3 Approval of remuneration for each director, member of senior management and other material risk taker annually. BPMB shall maintain and regularly review a list of officers who fall within the definition of "other material risk takers";

3.2.5.4 Approval of the remuneration and benefits for the Directors of BPMB subsidiaries based on recommendation by BNRC and the same shall be forwarded to MOF Inc. for notification;

3.2.5.5 Approval of salary structure framework for employees in executive grades and above. The salary structure is subject to the final approval by MOF Inc.;

3.2.5.6 Approval of Terms of Services and new Terms for Executives and staff of the BPMB Group including the Collective Agreement between the Bank and the Union. The Collective Agreement terms is subject to the final approval by MOF Inc.;

3.2.5.7 Approval of the budget for annual bonus and annual salary increment;

3.2.5.8 Approval of the proposed annual bonus payment for P/GCEO based on the assessment and recommendation of BNRC. The payment is subject to final approval by MOF Inc.;

3.2.5.9 Approval of the pool for annual bonus/annual incentive/annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia payment for employees and other material risk takers or other group-wide performance related rewards and annual increment of the Group. The pool for annual bonus/annual incentive payment/annual ex-gratia payment is subject to the final approval by MOF Inc.; and

3.2.5.10 Approval of separation schemes subject to the final approval by MOF Inc.

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**3.2.6 Corporate Governance Matters**

- 3.2.6.1** Undertake an annual review of its own performance, that of its Oversight Committees, individual Directors and SC members;
- 3.2.6.2 Approve the 'fit & proper' assessment on Board members, SC members, P/GCEO, CEO of major subsidiaries, Senior Officers and the Company Secretary on yearly basis so as to ensure their effectiveness in carrying out their responsibilities. The Board may instruct a 'fit & proper' assessment to be performed on any Board member, SC member, P/GCEO, CEO of major subsidiaries, Senior Officers or the Company Secretary, at any time, as they deemed necessary; and
- 3.2.6.3 Consider the balance of interests between shareholders, employees, customers and the community.

**3.2.7 Miscellaneous**

- 3.2.7.1 Changes to the Bank's Constitution or any other matters requiring the approval of the shareholders;
- 3.2.7.2 Approval of the insurance coverage for the Group including the Directors' & Officers' liability insurance;
- 3.2.7.3 Any major decision relating to the conduct (or settlement) of any material legal proceedings to which the Bank or the Group is a party
- 3.2.7.4 Any matter required to be considered or approved by the Board as a matter of laws or regulations;
- 3.2.7.5 Any other matter not falling within the powers and authority of the shareholders, P/GCEO or delegated to any Board Oversight Committee; and
- 3.2.7.6 To decide on any other matters delegated to the Board Oversight Committees if the matter is not discussed/approved/endorsed by the Committees.

**4.0 BOARD STRUCTURE AND COMPOSITION**

- 4.1 The Board and the Board Oversight Committees must be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the work of the various Board Oversight Committees to be discharged without giving rise to an over-extension of directors that are required to serve on multiple Board Oversight Committees;
- 4.2 The Board shall comprise at least three (3) members but not more than twelve (12);
- 4.3 The Board members shall be appointed upon fit and proper assessment and recommendation by BNRC. Where applicable, all appointments shall be subject to BNM's verification and Minister of Finance's final approval;

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- 4.4 The Board should comprise directors who as a group provide a mixture of core competencies such as banking, finance, accounting, legal, business management, information technology and investment management, knowledge of target market/sector and socio-economic perspective;
- 4.5 The Board must develop, document and regularly review the criteria and skill sets required of its members, both individually and collectively. The criteria and skill sets must reflect the fit and proper requirements and specific market or business knowledge required of the Board. This should include a consideration of experience and knowledge in development finance of the directors. 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 BPMB. The Board must also take into account supervisory concerns highlighted by BNM that require specific expertise on the Board;
- 4.6 BPMB must have at least three directors (excluding executive directors) with finance-related or accounting experience. A Board Member who is qualified in finance-related disciplines should have acquired a minimum of five (5) years working experience at a senior management level in the discipline of banking, insurance, takaful, or investment;
- 4.7 Where a firm has been appointed as the external auditor of BPMB, any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a Director of BPMB until at least two (2) years after :-
  - 4.7.1 He/She ceases to be an officer or partner of that firm; or
  - 4.7.2 The firm last served as an auditor of BPMB.
- 4.8 The Chairman of the Board must not be an executive, and must not have served as a CEO of BPMB in the past five (5) years;
- 4.9 The Board must not have more than one (1) Executive Director on the Board to promote effective independent oversight by the Board;
- 4.10 The Board shall comprises majority of Independent Directors at all times; and
- 4.11 The Directors are prohibited from appointing alternate directors, as they should commit personally to the Board.

**5.0 ROLE OF CHAIRMAN**

- 5.1 The Chairman’s primary role is to provide leadership to enable the Board perform its responsibilities effectively;
- 5.2 The Chairman presides over meetings and ensure the smooth functioning of the Board in the interest of good corporate governance. The role of the Chairman include the following :-

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- 5.2.1 Ensure that the Board meetings are effective in that decisions are taken on a sound and well-informed basis, including ensuring that :-
  - 5.2.1.1 All strategic and critical issues are considered by the Board;
  - 5.2.1.2 All Directors are given the opportunity to actively and effectively contribute;
  - 5.2.1.3 The Directors receive the relevant information on a timely basis, including being properly briefed on issues arising at the Board meetings;
  - 5.2.1.4 The Board comes to clear decisions and resolutions are noted;
- 5.2.2 Act as a spokesperson for the Board;
- 5.2.3 Address the Board’s professional development needs;
- 5.2.4 The Chairman with P/GCEO manage the interface between the Board and management; and
- 5.2.5 The Chairman shall not be appointed as Chairman of any Board Committees or the Bank’s subsidiaries.

**6.0 ROLE OF DIRECTORS**

- 6.1 The Directors are expected to comply with the legal, statutory and equitable duties and obligations when discharging their fiduciary responsibilities as Directors. Broadly, these include :-
  - 6.1.1 Act in good faith and in the best interest of the Group;
  - 6.1.2 Demonstrating good stewardship and acting in a professional manner with sound mind;
  - 6.1.3 Constructively challenging and contributing to the long-term sustainable development of business strategy of the Group;
  - 6.1.4 The Directors shall exercise reasonable care, skill and diligence according to the knowledge, skill and experience, which may be reasonably expected of him/her having the same responsibilities, based on facts, any additional knowledge, skill and experience, which he/she has and may be guided, as follows :-
    - 6.1.4.1 Ensuring check and balance in the proceedings of the Board;
    - 6.1.4.2 Refraining from rushing into decision-making. Provide adequate time for deliberation and evaluation of transactional and financial matters;
    - 6.1.4.3 Requiring sufficient notice and distribution of meeting papers and explanatory appendices in advance of meetings;

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- 6.1.4.4 Make informed decisions based on the information, analysis and recommendations provided by Management and independent professional advisers, if required;
- 6.1.4.5 Ensuring that there is no undue pressure from dominant personalities or nominees; and
- 6.1.4.6 Make appropriate enquiries to satisfy himself/herself on the integrity and soundness of the internal controls and risk management systems.

6.2 The role of a Non-Independent and Non-Executive Director : -

- 6.2.1 A Non-Independent Non-Executive Director representing the interests of a stakeholder Ministry on the Board of BPMB shall have the same duties and responsibilities as other Board Members, to act in the best interest of BPMB, 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 BPMB and his duty to the stakeholder Ministry which he is representing, his duty to BPMB will prevail; and
- 6.2.2 A Non-Independent Non-Executive Director shall relinquish his position as Director of BPMB Group in the event he/she retires/resigns from public service or transferred to another Ministry.

6.3 The role of an Independent Director: -

- 6.3.1 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/her :-
  - 6.3.1.1 Has been an executive of BPMB Group in the last two (2) years;
  - 6.3.1.2 is a substantial shareholder of BPMB or any of its affiliates;
  - 6.3.1.3 Is a representative of the Stakeholder Ministry of BPMB;
  - 6.3.1.4 Has had a significant business or other contractual relationship with BPMB or any of its affiliates within the last two (2) years.
- 6.3.2 The individual to be appointed as a Director or SC Member and existing Directors and SC Members are required to disclose if he/she or any person linked to him/her or immediate family member, where relevant, has any significant business or other contractual relationship irrespective of the value with BPMB or any of its affiliates for BNRC's assessment;

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- 6.3.3 An Independent Director must immediately disclose to the Board any change in his circumstances that may affect his status as an Independent Director. In such a case, the Board must review his designation as an Independent Director and notify the Bank in writing of his decision to affirm or change his designation; and
- 6.3.4 To promote independent oversight by the Board, the maximum tenure for independent directors is six (6) years and any extension beyond the stipulated maximum term requires the approval of MOF Inc and in line with the limit set by BNM i.e. not exceeding nine (9) years.

**7.0 ROLE OF THE PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER**

- 7.1 P/GCEO assumes the overall responsibilities for the implementation of the Group’s strategies in line with the Board’s directions, managing the businesses of the Group and drives the Group’s performance within strategic goals and commercial objectives. P/GCEO leads the Management team in carrying out the corporate strategy and vision of the Group and promoting, together with the Board, a sound corporate culture within BPMB which reinforces ethical, prudent and professional behaviour;
- 7.2 As P/GCEO, he/she is accountable to the Board for the day-to-day management and operations of the Group’s business;
- 7.3 The role of P/GCEO includes the following :-
  - 7.3.1 Implementing the business and risk strategies, remuneration and other policies in accordance with the approved business strategies and funding plan as endorsed by the Board;
  - 7.3.2 Promoting, together with the Board, a sound corporate culture within BPMB which reinforces ethical, prudent and professional behaviour;
  - 7.3.3 Addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner;
  - 7.3.4 Regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to :-
    - 7.3.4.1 the performance, financial condition and operating environment of BPMB;
    - 7.3.4.2 internal control failures, including breaches of risk limits; and
    - 7.3.4.3 legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.
  - 7.3.5 Ensuring that, in leading senior management, the Group’s Islamic finance operations, business, affairs and activities comply, at all times, with Shariah requirements;
  - 7.3.6 Serving as the conduit between the Board and Management in ensuring the success of the Group’s governance and management functions;

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- 7.3.7 Ensuring that the Board’s decisions are implemented and the Board’s directions are responded to;
  - 7.3.8 Providing directions in the implementation of short and long term business plans;
  - 7.3.9 Providing strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees; and
  - 7.3.10 Ensuring the day-to-day business affairs of the Group is effectively and appropriately managed.
- 7.4 P/GCEO must devote the whole of his/her professional time to the service of BPMB and shall not carry on any other business or vocation, except as a non-executive director or shareholder of another company. In ensuring that a position of responsibility outside BPMB does not create conflicts of interest or demands on the CEO’s professional time, a P/GCEO must not hold non-executive directorships in more than five (5) entities other than BPMB unless BNM’s prior approval is obtained;
- 7.5 For avoidance of doubt, a P/GCEO is not prohibited from holding a non-executive position in a professional body, industry association, statutory body, charitable body or other non-commercial public-interest entity, unless BNM specifies otherwise. The number of such directorships is limited to 5 posts at any one time; and
- 7.6 BPMB must have a P/GCEO at all times.

**8.0 APPOINTMENT, RE-ELECTION/RE-APPOINTMENT AND REMOVAL OF DIRECTORS AND PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER**

- 8.1 The Board shall consider and decide on the appointment of a new Director or P/GCEO upon appropriate recommendation from BNRC;
- 8.2 A rigorous vetting is conducted to ensure that the proposed Director or P/GCEO is a ‘fit and proper’ person. BNRC shall be guided by the factors/criteria as set out in BNM Guideline on Fit & Proper Criteria for Development Financial Institutions and BPMB’s Fit and Proper Policy for Board of Directors, Shariah Committee and P/GCEO, which was approved by the Board;
- 8.3 The appointment of Board members and P/GCEO is subject to BNM’s verification and Minister of Finance’s final approval;
- 8.4 One-third (1/3) of the Board members are required to retire at every Annual General Meeting and be subjected to re-election by shareholders;
- 8.5 Newly appointed Directors shall hold office until the next Annual General Meeting and shall be subjected to re-election by the shareholders;
- 8.6 The Directors whose tenure has expired and is being proposed for reappointment shall not be deemed as Director and not allowed to perform his role as Director of the Bank and/or the Group, including participating in Board meetings until his/her reappointment has been verified and approved by BNM and Minister of Finance respectively;

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- 8.7 The office of a Director shall be vacated if the Director :-
- 8.7.1 Becomes bankrupt or makes any arrangement or composition with his/her creditors generally during his/her term of office;
  - 8.7.2 Becomes prohibited from being a Director by reason of any order made under DFIA 2002 and CA 2016;
  - 8.7.3 Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his/her term of office;
  - 8.7.4 Resign by notice in writing; and
  - 8.7.5 Removed as Director by resolution of BPMB in General Meeting of which special notice has been given;
- 8.8 Individuals who are active in politics cannot be appointed as Directors or SC or P/GCEO to avoid any conflict of interest situations between their role as Directors or SC or P/GCEO and responsibilities to their constituents. Active politician refers to an individual who is a member of any national or state legislative body, or who is an office bearer of, or holds any similar office or position in a political party;
- 8.9 BPMB shall notify BNM before the removal or resignation of an Independent Director. The notification shall include reasons for the removal or resignation of such director including where relevant, details of specific circumstances leading to the removal or resignation. The removal or resignation of the independent director shall not take effect unless BNM has communicated to the Bank that it has no objection to the removal or resignation;
- 8.10 Except where the removal, termination or resignation of an Independent Director is made pursuant to section 8 of DFIA and notwithstanding paragraph 8.9 of Board Charter : -
- 8.10.1 The Bank shall not remove or terminate an Independent Director from his office; and
  - 8.10.2 An Independent Director shall not resign from his office;
- if, by such removal, termination or resignation, the Independent Directors cease to be a majority of the Board; and
- 8.11 The maximum tenure of Chairman and Directors of the Group is six (6) years or as determined by MOF Inc.

**9.0 SUCCESSION PLAN**

- 9.1 The Board, with the assistance of BNRC, shall address the issue of succession for the Chairman and Board members; and

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9.2 The curriculum vitae of prospective candidates would from time to time, be discreetly obtained from various internal and external sources for further review by BNRC and the Board, to ensure that the Board has a steady pool of talents to choose from whenever there is a need to appoint additional members on the Board or otherwise, to replace a member who intends to retire or resign from the Board.

**10.0 COMPANY SECRETARY**

- 10.1 The appointment or removal of Company Secretary(ies) of the Board shall be the prerogative of the Board as a whole;
- 10.2 The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provides counsel to the Board on governance matters and facilitates effective information flow between the Board, Board Committees and Senior Officers;
- 10.3 The Company Secretary is also responsible and accountable to the Board, for ensuring that the secretarial functions provide adequate support to the Board and Board Committees for all Board-related administrative functions;
- 10.4 All Board members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board’s affairs and the business;
- 10.5 The Company Secretary shall keep confidential the affairs of BPMB and its officers at all times. Accordingly, where the Company Secretary also serves as Company Secretary for a BPMB’s affiliates, he shall not disclose the affairs of BPMB or its officers to the affiliates except with the knowledge and consent of BPMB;
- 10.6 The Company Secretary must not have competing time commitments that may impair his/her ability to discharge his/her duties effectively. Unless BNM approves otherwise in writing, the Company Secretary must devote the whole of his professional time to the affairs of BPMB and its affiliates; and
- 10.7 The Company Secretary must ensure that appropriate guidelines and procedures are in place to govern the Board’s operations and conduct.

**11.0 AUTHORITY OF THE BOARD**

- 11.1 The Board is authorised to do the following at the expenses of the Group :-
  - 11.1.1 Be provided resources in order to perform its duties;
  - 11.1.2 Seek/obtain any information required from any employee of the Bank and/or the Group and to commission any investigations, reports or surveys, which it deem necessary to help to fulfil its duties and obligations. However, such request/enquires must be made via P/GCEO;
  - 11.1.3 Obtain external, legal or independent professional advice, as it deemed necessary. As part of these arrangements, the Board must ensure that significant issues and developments are brought before the board for its information and consideration;

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11.1.4 Authorise investigations of fraud, illegal acts or suspected violations of Group policies involving Management or Directors; and

11.1.5 Meet exclusively among itself, whenever it deemed necessary.

**12.0 SHARIAH COMMITTEE**

12.1 SC has the responsibility to provide objective and sound advice to BPMB to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah;

12.2 The Board shall take reasonable steps to ensure that the SC is free from any undue influences that may hamper the SC from exercising its professional objectivity and independence in deliberating issues brought before them;

12.3 The Board must have due regard to any decisions or advice of SC on any Shariah issues relating to the operations, business, affairs or activities of BPMB. This duty requires the Board to :-

12.3.1 Give sufficient attention to the facts, rationale and basis for any decisions or advice of SC before arriving at its own decision;

12.3.2 Give fair consideration to the implications of implementing any decisions or advice of the SC;

12.3.3 Put in place conflict resolution mechanism to deal with any differences in views between the Board and SC; and

12.3.4 Maintain a record of deliberations between the Board and SC in matters where the differences in views exist, and its resolution.

12.4 The Board shall invite a member of SC, as nominated by the SC, to attend Board meeting, when required in which the Board may seek clarification from the SC Member or request for any matters discussed at SC Meeting to be deliberated or further deliberated at BOD Meeting. This platform shall also serve as the conflict resolution mechanism to address any difference of views between the Board and SC. In the event that the difference cannot be resolved, the matter may be referred to the Shariah Advisory Council of Bank Negara Malaysia for final advice and determination;

12.5 BOD shall, to further promote effective communication with SC :-

12.5.1 Engagement session between the Board and SC members on all matters relating to Shariah Requirements, Shariah Governance or Shariah Non-Compliance Risk in enabling both parties to effectively discharge respective responsibilities under the Policy Document on Shariah Governance shall be held on a periodical basis;

12.5.2 Minutes of SC Meetings shall be tabled at Board Meeting.

12.6 In the event that the Board delegates any of its responsibilities to SC, the Board must:-

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- 12.6.1 Ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the Board and the SC’s charter/ policies governing SC’s duties and responsibilities;
  - 12.6.2 Establish reporting arrangements to be kept informed of the SC’s work, key deliberations and decisions on delegated matters;
  - 12.6.3 Remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
- 12.7 The Board shall identify, assess and manage any conflicts of interest arising from any additional activities or services performed by the SC member for BPMB, or his other external professional commitments. This shall include policies relating to the involvement of a SC member in the provision of consultancy services to any clients of BPMB, with or without remuneration; and
- 12.8 The Board must allocate sufficient resources for continuous development of skills and expertise of the SC. This shall include allocating adequate budget, having in place development plans for SC members and regularly updating such plans to ensure that each member possesses the requisite knowledge and skills to fulfil his responsibilities.

**13.0 BOARD OVERSIGHT COMMITTEES**

13.1 The Board has established a number of oversight committees, which comprise members of the Board and operate within clearly defined TOR, primarily to assist the Board in exercising its roles and responsibilities. These Board Oversight Committees also exercise adequate oversight over BPMB Group. The following are the key responsibilities of the Board Oversight Committees established by the Board :-

**13.1.1 Board Audit Committee**

BAC is responsible for providing oversight on reviewing the adequacy and integrity of the internal control systems and overseeing the work of the internal and external auditors within the Group. BAC meets regularly to amongst others; review the quarterly results (if applicable), full year financial statements, audit reports, which include observation pertaining to risk management and internal controls, as well as connected party transactions.

**13.1.2 Board Risk Management Committee**

BRMC is responsible for providing oversight on the Management’s activities in managing the key risk areas and to ensure that the risk management process is adequately in place and functioning effectively. BRMC meets regularly to amongst others; review and endorse the risk management strategies, framework, policies, risk tolerance and risk appetite ensuring a ‘risk-awareness’ culture is embedded in the Group.

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**13.1.3 Board Nomination and Remuneration Committee**

BNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, P/GCEO, Board Committee members, SC members, CEO of major subsidiaries, Senior Officers and the Company Secretary as well as developing a remuneration policy as to ensure that it is competitive and consistent with the Group’s culture, objectives and strategies for recommendation to the Board. BNRC meets regularly to among others; review, assess and recommend to the Board on the appointment/ reappointment of Directors, P/GCEO, Board Committee members, SC members, CEO of major subsidiaries, Senior Officers and the Company Secretary including the conduct of annual evaluation of their performance/skill sets, both individually and collectively and their remuneration package.

**13.1.4 Board Credit Committee**

BCC is responsible for providing supervisory and oversight role of loan/financing/investment approval of the Group and to ensure adequate risk management processes are in place. BCC meets regularly to among others; review or veto loans/financing, other credit facilities and investment proposals for amount above the defined thresholds of the Group Credit Committee and approve all cases of write-off proposals from BPMB.

**13.1.5 Board Information Technology Committee**

BITC has oversight function on the implementation of technology related strategies and initiatives of BPMB Group.

- 13.2 The Board may delegate the responsibility for ‘fit and proper’ assessments of Senior Officers and the decisions on appointments of Senior Officers to P/GCEO or a designated committee;
- 13.3 The Board shall approve the TOR of the current and additional Board Oversight Committees, which shall set out the roles and responsibilities of each Committee, having regard to its membership and composition;
- 13.4 The Chairman of Board Oversight Committees shall report the outcome of their meetings to the Board for deliberation/approval at the Board’s level, if required;
- 13.5 The Circular Resolutions and Minutes of Meeting of Board Oversight Committees shall be tabled at BOD Meeting for notification; and
- 13.6 The existence of the Board Oversight Committees does not diminish the Board’s ultimate responsibility over the functions and duties of these Board Oversight Committees.

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**14.0 MEETING PROCEDURES**

- 14.1 The Board shall meet regularly at least once every two (2) months and at such other times as and when requested by Chairman of the Board;
  - 14.2 If a member of the Board is unable to be physically present, the member may choose to participate via video or tele-conferencing. Nonetheless, alternative means of attendance must remain the exception rather than the norm;
  - 14.3 The Directors must attend at least 75% of the Board meetings held in each financial year;
  - 14.4 In the absence of the Chairman, the Chairman or members present shall elect a Chairman for the meeting from amongst the members present;
  - 14.5 The quorum necessary for the Board meeting shall be at least 50% of the total number of Directors, of which a majority must be represented by Independent Directors;
- Notwithstanding the above, a minimum of 75% quorum is required for decision making with regard to connected party transactions;
- 14.6 A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Board;
  - 14.7 Ideally, the Board will strive to make decisions based on consensus. However, questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. No director will abstain from voting unless he/she has declared a conflict of interest;
  - 14.8 The Board may invite to its meeting any Senior Officers, and such other persons, as it deems appropriate in order to carry out its responsibilities;
  - 14.9 Meetings of the Board shall be called by the Company Secretary at the request of the Chairman or P/GCEO;
  - 14.10 The discussions and conclusions of the Board meetings shall be minuted in a clear, accurate, consistent and complete and in timely manner. The minutes shall record the decisions of the Board, including key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any Director abstained from voting or excused himself/herself from deliberating on a particular matter;
  - 14.11 The Company Secretary or any other personnel authorized by the Board shall minute the proceedings and resolutions of all Board meetings, including the name of those present and in attendance;

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14.12 The Directors (through the Company Secretary) shall cause the minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Board. Minutes shall be distributed to the Board members and shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated;

14.13 Reproduction of any part of the minutes must be through/by the Company Secretary; and

14.14 A resolution in writing signed by all the Directors for the time being present in Malaysia shall be valid and effectual as if it had been passed at a meeting of the Directors. The circular resolution, shall be supported by relevant papers setting out details of the subject matters. The Board members may obtain more information from Management and express their views or points and convey their decisions by facsimile, electronic mail or any other means of telecommunication. The circular resolution is limited to matters, which is not complex and does not require in depth discussion. All circular resolutions shall be submitted for information/confirmation at a meeting of the Board following the passing of the circular resolutions.

**15.0 DIRECTORS’ PROFESSIONAL DEVELOPMENT**

15.1 The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. This is essential for Directors to improve their skills and keep abreast with the latest updates and industry practices;

15.2 The Board is responsible for further enhancing the skills and knowledge of its members including SC members on relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry;

15.3 A formalized orientation programme will be held by the relevant head of functions/CEO of major subsidiaries to brief the new Board members on the functions and areas of responsibilities of their respective functions/subsidiaries; and

15.4 In meeting the expectations of the regulators and stakeholders, the Directors are required to attend two (2) types of programmes :-

**15.4.1 Mandatory FIDE Programme and Islamic Finance for Board Programme;**

This program is required by BNM for newly appointed Directors who sit on the Boards of the Bank for the first time. The costs of attending the programmes shall be borne by the Bank.

**15.4.2 Continuous Education Programme /Training**

The Directors are encouraged to attend training/seminars/conferences conducted by the Bank or third party in order to enhance their knowledge or skills in specific areas. The costs of attending the trainings/seminars/conferences shall be borne by the Bank.

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**16.0 LIMITS ON EXTERNAL COMMITMENT**

- 16.1 The Directors shall devote sufficient time to carry out their responsibilities. All Directors are expected to commit time as and when required to discharge his/her duties and responsibilities, besides attending meetings of the Board and Board;
- 16.2 The Directors are not allowed to sit on the Board of more than five (5) listed companies and must hold less than fifteen (15) directorships on non-public listed companies (excluding dormant/non-operating companies), to ensure that their commitment, resources and time are more focused, enabling them to discharge their duties effectively; and
- 16.3 The Directors shall notify the Chairman and/or the Company Secretary immediately upon accepting any new directorships.

**17.0 STAKEHOLDERS’ COMMUNICATION**

- 17.1 The Board shall ensure effective, transparent and regular communication with its stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

**18.0 BOARD PERFORMANCE**

- 18.1 The Board Effectiveness Evaluation (‘BEE’) is established with the objective of assessing the effectiveness of the Board and Board Committees, as well as the individual Directors on annual basis. It aims to improve the Board’s effectiveness as well as draw the Board’s attention to key areas that need to be addressed or improved. The BEE is based on a combination of self and peer assessment performed via a customized questionnaire. A summarized report will be presented to BNRC and the Board to enable them to identify the areas for improvement and put in place appropriate measures; and
- 18.2 The Board may appoint an independent external party to conduct the evaluation in part or in whole at least once every two (2) years or such other intervals as may be approved by BNM.

**19.0 CODE OF ETHICS**

- 19.1 The Directors are to maintain the highest degree of integrity and professionalism while at the same time promoting transparency and accountability in their actions. The Bank has in place the Code of Ethics for BOD and SC, which is formulated to enhance the standard of corporate governance and behaviour for the Board and SC;
- 19.2 BPMB shall ensure that the Code of Ethics provides for declarations of assets by the Chairman, Directors, P/GCEO and officers of BPMB and procedures for dealing with gifts from external parties to avoid conflict of interest situation; and
- 19.3 The Board and Senior Management shall be responsible in ensuring the effective enforcement of Code of Ethics, and its periodic review to take into account emerging issues concerning BPMB, including its internal and external relationships.

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**20.0 CONFLICTS OF INTEREST AND CONNECTED PARTY TRANSACTIONS**

- 20.1 The Directors are expected to avoid any action, positions or interest that conflicts with an interest of the Group, or gives the appearance of a conflict;
- 20.2 A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Bank and/or the Group shall declare the Director’s interest in accordance with the DFIA 2002 and CA 2016;
- 20.3 Should there be an actual, potential or perceived conflict of interest between the Bank and/or or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, the Director involved shall make full disclosure and act honestly in the best interest of the Group;
- 20.4 BPMB shall not grant any financing facility to any corporation where BPMB’s controlling Shareholders, Directors, Senior Management or Officers has any interest which in aggregate is in excess of 50%. Directors shall declare annually any connected party transactions for themselves and other close relatives;
- 20.5 All credit and investment proposals with connected party transactions from BPMB and/or its subsidiaries as per BPMB Financing Facilities with Connected Parties and BPMB Authority Matrix shall be approved by the Board with not less than three quarters of all the board members present, and such approval is duly recorded in the minutes of the meeting;
- 20.6 Section 11 of DFIA 2002 imposes a legal obligation on a director to disclose to the Board the nature and extent of his/her interest in a material transaction or material arrangement, and if such material transaction or material arrangement is being deliberated during a board meeting, to be absent from the meeting during such deliberations. For the purpose of Section 11 DFIA 2002, an existing or proposed transaction or arrangement will be considered “material” if it is one which a director is required to declare under section 221 of the Companies Act 2016 or in its specific establishment act/legislation, whichever is the lower threshold, unless the director or any person linked to him/her cannot reasonably be expected to derive a benefit or suffer a detriment from the transaction or arrangement in a way that will place the director in a position of conflict; and
- 20.7 Any interested Director must make disclosure to the Board and the Company Secretary :-
  - 20.7.1 As soon as practicable after being aware of their interest in the material transaction or arrangement; and
  - 20.7.2 If the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation. The Director shall refrain from taking part or from being present in the deliberation or decision of the Board in relation thereto.

**21.0 REVIEW OF BOARD CHARTER**

- 21.1 The Board Charter shall be reviewed periodically, at least once every two (2) years. This review shall be facilitated by the Company Secretary.