

# **AmBank Islamic Berhad**

Registration No. 199401009897 (295576-U)

## **BOARD CHARTER**

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**1. Introduction**

- 1.1 The Board of Directors (the 'Board') regard sound corporate governance as vital to the success of AmBank Islamic Berhad's ('the bank') business and are unreservedly committed to applying the principles necessary to ensure that the following principles of good governance are practised in all of its business dealings:
- i) The Board is the focal point of the bank's corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the bank.
  - ii) All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
  - iii) All Board members are responsible to the bank for achieving a high level of good governance.
- 1.2 This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.
- 1.3 The objectives of this Board Charter are to ensure that all Board members acting on behalf of the bank are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of, the bank.

**2. Board Governance Roles****2.1 Board Composition**

- 2.1.1 The Constitution of the bank specifies that the number of Directors shall not be less than three (3). The Board has power under the Constitution of the bank to appoint a Director to fill a casual vacancy or as an additional Director.
- 2.1.2 At any one time, the Board shall comprise of majority Independent Directors.
- 2.1.3 The Chairman must be a Non-Executive member of the Board and must not have served as Chief Executive Officer ('CEO') of the bank in the past five years.
- 2.1.4 The Board members should have wide ranging experience, skill and knowledge that add value to the bank. The Board shall consider recommendations by the Group Nomination and Remuneration Committee pertaining to nominees for directorship in the bank.

**2.2 Role of the Board**

- 2.2.1 The Board has overall responsibility for promoting the sustainable growth and financial soundness of the bank. Each Director has a duty to act in the best interest of the bank. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the bank are managed. The Board sets the bank's values and

standards and ensures that its obligations to its shareholders and stakeholders are understood and met.

2.2.2 The Board understands that the responsibility for good corporate governance rests with them and therefore strives to inculcate good governance as set out in applicable laws and regulations including, without limitation, the guidelines and directives as may be issued by regulatory authorities which may be applicable to the bank from time to time ('Laws').

2.2.3 The Board assumes the following duties, having regard to the interests of all the stakeholders of the bank:

i) **Approve and monitor strategy**

The Board shall set and oversee the implementation of business and risk objectives and strategies including the annual budget, and risk appetite, and in doing so shall have regard to the long term viability of the bank and reasonable standards of fair dealing.

ii) **Oversee conduct of the business**

The Board shall oversee conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.

iii) **Oversee risk management, governance and internal controls**

The Board shall oversee the effective design and implementation of the bank's governance and reporting framework, internal controls and management information systems for compliance with applicable laws, rules, regulations, directives and guidelines. The Board shall periodically review whether these remain appropriate in light of material changes to the nature, scale and complexity of the business and structure of the bank. The Board shall identify and approve policies pertaining to the management of all risk categories including but not limited to, credit, financial, market, liquidity, operational, legal, Shariah, reputational, cyber security, sustainability, covering environmental (including climate-related), social and governance ('ESG') risks.

iv) **Promote a strong culture of professionalism and ethics**

The Board shall promote, together with the CEO and Senior Management, a sound corporate culture that reinforces ethical, prudent and professional behaviour by adopting a code of ethics and conduct that set out standards of behaviour and conduct that must be followed by all employees.

v) **Oversee appointment, performance evaluation, remuneration and succession planning of the Board, CEO, Senior Management and the Company Secretary**

The Board shall be responsible for appointing, evaluating, remunerating and planning for the succession of Directors, CEO, Senior Management and the Company Secretary.

vi) **Oversee recovery and business continuity plans**

The Board shall oversee and approve recovery and business continuity plans for the bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress including all aspects of material development, maintenance and implementation of a recovery plan.

vii) **Oversee communications with stakeholders**

The Board shall ensure the development and implementation of a communications policy for the bank that enables effective communication with shareholders, regulators and other stakeholders.

viii) **Promote Shariah compliance and oversee Shariah governance structure and matters**

The Board shall promote Shariah compliance in accordance with expectations set out in the BNM policy document on Shariah Governance Framework for Islamic Financial Institutions and ensure its integration with the bank's business and risk strategies. The Board shall approve policies relating to Shariah matters upon consultation with Shariah Committee and ensure that such policies are implemented effectively. The Board shall have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of business, affairs or activities of the bank.

ix) **Promote sustainability in the bank's business strategies**

The Board shall promote sustainability through integration of appropriate ESG considerations in assessing and approving the bank's business opportunities and strategies.

2.2.4 The Board must cause to be kept the accounting records and other records to:

- i) Sufficiently explain the business, transactions and financial position of the bank;
- ii) Enable the preparation of true and fair financial statements; and
- iii) Enable the accounting and other records of the bank to be conveniently and properly audited.

2.2.5 The Board has adopted a formal Schedule of Matters Reserved that sets out decision making powers reserved for the Board. The following are covered under the Schedule of Matters Reserved for the Board:

- i) Corporate Matters
- ii) Strategy and Budget
- iii) Governance and Policy
- iv) Compliance and Assurance
- v) Credit and Products
- vi) Accounting and Finance
- vii) Information Technology and Projects
- viii) Board Membership and Other Appointments
- ix) Remuneration
- x) Litigation and Arbitration
- xi) Shariah Matters

2.2.6 The Board is responsible to oversee any matters or transactions beyond the delegation of authority of the CEO, as well as undertaking any other responsibilities specified in the policy documents and directives issued by any regulatory authorities from time to time.

## **2.3 Role of Chairman and CEO**

The bank aims to ensure a balance of power and authority between the Chairman and the CEO with a clear vision of responsibility between the running of the Board and the bank's business respectively. The positions of Chairman (i.e. non-executive Chairman) and CEO are separated and clearly defined.

### **Role of the Chairman**

2.3.1 The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- i) leading the Board in setting the values and standards of the bank
- ii) ensuring that appropriate procedures are in place to govern the Board's operation
- iii) maintaining a relationship of trust with and between the Executive and Non-Executive Directors
- iv) ensuring that decisions are taken on a sound and well-informed basis including by ensuring that all strategic and critical issues are considered by the Board
- v) ensuring the provision of accurate, timely and clear information to Directors
- vi) encouraging healthy discussion and ensuring that dissenting views can be freely expressed and discussed
- vii) leading efforts to address the Board's developmental needs

2.3.2 The Chairman is responsible for managing the business of the Board to ensure that:

- i) all Directors are promptly briefed on issues arising at Board meetings
- ii) sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board's discussion
- iii) the issues discussed are forward looking and concentrate on strategy

2.3.3 The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

### **Role of the CEO**

2.3.4 The CEO bears primary responsibilities over the day-to-day management of the bank's business. This includes:

- i) overseeing the operational management of the bank's business as well as the development and execution of the bank's strategy as approved by the Board including short and long-term business plans.
- ii) acting as a conduit between the Board and Management in ensuring the success of governance and management functions.
- iii) ensuring that Board decisions are implemented and responded to.
- iv) providing leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees.
- v) promoting, together with the Board, a sound corporate culture within the bank which reinforces ethical, prudent and professional behaviour.
- vi) regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities.
- vii) ensuring that Shariah rulings and decisions are being observed and implemented.

## **2.4 Role of Individual Directors**

2.4.1 Directors are expected to demonstrate at all times that they:

- i) act in good faith in the best interests of the bank;
- ii) exercise reasonable care, skill and diligence with:
  - a. the knowledge, skill and experience which may reasonably be expected of a Director having the same responsibilities; and
  - b. any additional knowledge, skill and experience which the Director has;
- iii) only exercise powers conferred on them for the purposes for which such powers are conferred;
- iv) exercise sound and independent judgement; and
- v) comply with any standards specified by BNM on Shariah matters which are applicable to a Director.

2.4.2 Independent Directors shall provide independent and objective judgement, experience and objectivity without being subordinated to operational considerations.

## **2.5 Role of the Company Secretary**

2.5.1 The Board appoints the Company Secretary who reports directly to the Board and is the source of guidance and advice to the Directors on areas of corporate governance, relevant legislations, regulations and policies.

2.5.2 The Company Secretary attends Board and Board Committees meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees meetings.

## 2.6 Role of Board Committees

2.6.1 The Board may from time to time establish Committees to assist it in carrying out its responsibilities and shall adopt Terms of References setting out matters relevant to the composition, responsibilities and administration of such Committees, and other matters that the Board may consider appropriate.

2.6.2 The Board is supported by:

- i) Group Nomination and Remuneration Committee (at Group level)
- ii) Group Information Technology Committee (at Group level)
- iii) Joint Audit and Examination Committee (jointly established by AMMB and the banking subsidiaries)
- iv) Joint Risk Management Committee (jointly established by AMMB and the banking subsidiaries)
- v) Joint Board Credit Committee (jointly established by AmBank and AmBank Islamic)

The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Board Committee.

2.6.3 The roles of the respective Board Committees are summarised below:

i) **Group Nomination and Remuneration Committee ('GNRC')**

- Review and assess the appointment/re-appointment and remuneration of Directors, Shariah Committee members and Senior Management for recommendation to the Board.
- Oversee the establishment of a formal and transparent procedure for the performance evaluation of Directors, Shariah Committee members and Senior Management.
- Advise the Board on the optimal size and mix of skills of the Board and Board Committees.

*Refer to the Terms of Reference of the GNRC for further details of the roles and responsibilities.*

ii) **Group Information Technology Committee ('GITC')**

Assist the Boards of respective entities in the Group in discharging its responsibilities relating to the oversight of the Group's information technology ("IT"), digitisation and technology-related innovation strategies.

*Refer to the Terms of Reference of the GITC for further details of the roles and responsibilities.*

**iii) Joint Audit and Examination Committee ('JAEC')**

- To provide independent oversight of the bank's financial reporting and internal control systems that facilitates appropriate checks and balances within the bank.
- To serve as an independent and objective party in the review, where appropriate, of the financial information of the bank that is presented by the Management to the Board and shareholder(s).
- To provide an independent and objective review of related party transaction and conflict of interest situations.

*Refer to the Terms of Reference of the JAEC for further details of the roles and responsibilities.*

**iv) Joint Risk Management Committee ('JRM')**

- Oversee the governance of risks and compliance within the bank and ensure that there is effective infrastructure in place (policies, frameworks, processes, resources, systems) to manage risks and compliance.
- Oversee Senior Management activities in identifying, assessing, controlling and monitoring risks and compliance.

*Refer to the Terms of Reference of the JRM for further details of the roles and responsibilities.*

**v) Joint Board Credit Committee ('JBCC')**

- To ensure credit facilities and commitments, and connected party credit transactions are approved in accordance with policies authorised by the Board.

*Refer to the Terms of Reference of the JBCC for further details of the roles and responsibilities.*

**3. Board Conduct****3.1 Code of Ethics and Conduct**

3.1.1 The Board commits itself and its Directors to ethical, business-like, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly, all Directors shall apply ethical principles and standards of behaviour as set out in the following documents:

- i) Code of Ethics of the Group
- ii) Other applicable governance documentation approved by the Board setting out standards of ethical conduct and behaviour

**3.2 Conflict of Interest**

- 3.2.1 Directors shall declare any conflict of interest by way of a written notice to all Board members and the Company Secretary (as soon as practicable) after being aware of his interest in the material transaction or arrangement; and if the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation. Directors shall not be present when it is being deliberated at the Board or Board Committee meeting.
- 3.2.2 Directors must not accept a benefit from or provide a benefit to a third party by a reason of him being a Director, or him doing something or refraining from doing anything as a Director.

**4. Boardroom Diversity**

- 4.1.1 The Board is committed to ensuring diversity in its composition and embraces the proposition that having a diverse Board would have a positive, value-adding impact on the bank. Whilst the Board acknowledges the importance of boardroom diversity, appointments to the Board shall always be based on merit.

**5. Board Effectiveness****5.1 Annual Board Effectiveness Evaluation**

- 5.1.1 The Board shall review the effectiveness of the Board and Board Committees as well as the performance of individual Directors annually. All such assessments shall be properly documented. The GNRC is entrusted with the responsibility for carrying out the annual evaluation review.
- 5.1.2 The evaluation results shall form the basis of GNRC's recommendation to the Board for the re-election and/or re-appointment of Directors and Board Committee members as well as for further development of the Board and Board Committees.
- 5.1.3 The Board shall periodically engage external consultants or experts to assist in and lend objectivity to the annual board evaluations.

**5.2 Director Selection and Appointment**

- 5.2.1 The appointment of a new Director is a matter for consideration and decision by the full Board.
- 5.2.2 The appointment, retirement and/or re-appointment of a Director shall be governed by the Laws, the Constitution of the bank as well as the bank's rules, regulations and policies as may be issued from time to time ('Internal Guidelines').
- 5.2.3 Directors are expected to fulfil the fit and proper requirements and qualifications specified by the Laws.

5.2.4 The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the bank. The duration of the nine-year tenure shall commence from the date of appointment to the bank or the Group, whichever is earlier.

5.2.5 Independent Director must not be an employee/Non-Independent Non-Executive Director of the bank/Group for the last three (3) years.

### **5.3 External Directorships**

5.3.1 Directors must devote sufficient time to prepare for and attend Board meetings, and maintain a sound understanding of the business of the bank as well as relevant market and regulatory developments. This includes a commitment to on-going education.

5.3.2 Prior to accepting appointment(s) in other companies, Directors should ensure that the appointment(s) are not in conflict with the bank's business and do not affect the discharge of their duties as a Director of the bank. Directors shall notify the Chairman of the Board and the Company Secretary of new Board appointment(s) in other companies within 14 days of the appointment(s).

5.3.3 A director must not hold more than five (5) directorships in listed companies and not more than fifteen (15) external professional commitments on boards of trustees, advisory boards and boards of non-listed companies. Companies within the same Group are considered as one (1) for this purpose with the exception of financial institutions (including banks, insurance companies and investment banks), which shall be considered as separate entities even if they are part of the same group.

### **5.4 Director's Access to Information and Advice**

5.4.1 The bank aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.

5.4.2 The Management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

5.4.3 In order to assist Directors in fulfilling their responsibilities, the Directors have the right to seek independent professional advice regarding their responsibilities at the expense of the bank.

5.4.4 Full minutes of each Board meeting shall be kept by the Company Secretary and made available for inspection by any Director during office hours.

### **5.5 Director's Induction**

5.5.1 Newly appointed Board members shall attend the Induction Programme for Directors which includes mandatory core programmes as required by regulatory authorities and internal briefings by relevant Management personnel.

- 5.5.2 The bank shall ensure that new Board members are fully briefed on the terms of their appointment, duties, and responsibilities, as well as on the nature, operations, and current issues of the bank.

## **5.6 Director's Development**

- 5.6.1 The Board shall ensure that a structured Director Learning and Education programme is in place for its members. This programme shall ensure members have access to appropriate continuing education programmes and are kept up to date with current business, industry, regulatory and legislative developments and trends that will affect the bank's business operations.
- 5.6.2 The GNRC shall evaluate the adequacy of the Directors' training and development needs on an annual basis, taking into consideration the bank's strategy for the next several years and the current combined skills on the Board.

## **5.7 Director's Remuneration**

- 5.7.1 The Board, through the GNRC, shall establish a formal and transparent remuneration framework for Directors. The remuneration framework shall be appropriate to attract and retain highly dedicated, competent, professional and independent Directors and recognise them for their contributions.

# **6. Board Meetings**

## **6.1 Frequency and Attendance**

- 6.1.1 The Board meets at least once every two (2) months or at such other interval as required, to facilitate the discharge of their responsibilities. Members of Management may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- 6.1.2 A Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the meeting where the material transaction or material arrangement is being deliberated by the Board of Directors.
- 6.1.3 Board members are expected to attend at least 75% of total Board meetings in any applicable financial year, and must not appoint another person to attend or participate in a board meeting on his behalf, with appropriate leave of absence duly communicated to the Chairman of the Board and/or Company Secretary, where applicable.

## **6.2 Board Meeting Agenda and Papers**

- 6.2.1 The Chairman, in consultation with the CEO and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.
- 6.2.2 The agenda and meeting papers shall be circulated at least seven (7) calendar days before each meeting to the Board members. Any submission of meeting paper less than three (3) calendar days before each meeting shall be considered a late paper and will require the approval of the Chairman.

**6.3 Quorum**

- 6.3.1 The quorum for Board meetings shall be a minimum of 50% of total Board members.
- 6.3.2 In the absence of the Chairman, the remaining members present shall elect one (1) of the Non-Executive Directors as Chairman of the meeting.

**6.4 Meeting Mode**

- 6.4.1 A meeting shall be conducted in person or via telephone conference or video conference or similar communications equipment or other appropriate means as determined by the Board to enable effective discussion. Where permitted, alternative means of attendance must remain the exception rather than the norm and appropriate safeguards must be in place to preserve the confidentiality of deliberations.
- 6.4.2 The Board may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, including approval by legible confirmed transmission by facsimile or other forms of electronic communications, in lieu of formally convening a meeting. The Circular Resolution shall only be undertaken with prior approval from the Chairman, and it shall follow the voting rights as set out in clause 6.5. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the Board duly convened.
- 6.4.3 Circular Resolutions must be signed by all Board members, subject to clause 6.5. Members who do not agree with the resolution shall also sign the document but may record their dissent in writing at the time of signing. Circular Resolutions passed since the last Board meeting should be circulated for notation of the Board at the next meeting.

**6.5 Voting**

- 6.5.1 All resolutions of the Board shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote in accordance with the Constitution of the bank. Where two (2) Directors form a quorum, the Chairman of the meeting at which only such a quorum is present or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.
- 6.5.2 A Board member is required to abstain from deliberations and voting in respect of any matter that arose, persist or may give rise to an actual, potential or perceived conflict of interest situation.

**7. Application and Charter Review**

- 7.1 The principles set out in this Charter shall be:
  - i) Kept under review and updated as practices on corporate governance develop and further guidelines on corporate governance are issued by the relevant regulatory authorities.

- ii) Applied in practice having regard to their spirit and general principles rather than to the latter alone.
- 7.2 The Board endeavours to comply at all times with the principles and practices set out in this Charter.
- 7.3 This Charter is subject to review by the Board at least once every two (2) years or when necessary to ensure the bank remains at the forefront of best practices in corporate governance.