

1.0 OBJECTIVES

The objective of the TORs is to ensure that there is a formal and transparent procedure for the Board of Directors to oversee the day-to-day affairs of the business and operations of the Company. The Board must ensure that the Company meets the appropriate interests of its shareholders and stakeholders, addresses the challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

The Board must also ensure that their acts are in accordance with the objects as defined in the Company's Memorandum and Articles of Association.

2.0 AUTHORITY

In carrying out its duties and responsibilities, the Board shall have the following authorities:-

- a) to seek any information it requires from any employee of the Company in order to perform its duties;
- b) to obtain or appoint, at the Company's expense, any professional advise including the advice of independent consultant and to secure the attendance of the external advisers at its meeting if it considers necessary to help it fulfill its obligations;
- c) full and unrestricted access to the Company's records, properties and personnel; and
- d) to delegate or form sub-committee inclusive of Management Committee headed by the Group Managing Director/Chief Executive Officer.

3.0 COMPOSITION

- a) Pursuant to Article 65 of the Company's Articles of Association, the Board shall consist of not less than five (5) and not more than fifteen (15) members.
- b) Majority of the Board members must be independent directors.
- c) The members shall be formally appointed by the Board subject to obtaining the necessary approval from Bank Negara Malaysia.
- d) All members shall hold office only for so long as they serve as Directors of the Company.
- e) The positions of Chairman and Group Managing Director/Chief Executive Officer should be held by different individuals, and the Chairman must be a non-executive member of the board.

4.0 ROLES AND RESPONSIBILITIES

The Board has the overall responsibility of ensuring that BHB operates within the declared objectives as set out in the Memorandum of Associations of the Company.

In addition, the Board has the power to decide on all matters pertaining to the Company's business as empowered by the Company's Articles of Association, Companies Act, 1965 and all relevant regulatory guidelines of Bank Negara Malaysia, Securities Commission and Bursa Securities Listing Requirements, and if required, to delegate these powers accordingly.

The primary duties and responsibilities of the Board include the followings:-

4.1 Business Direction/Operations

- a) To review and approve all strategic and policy matter including the strategic business plan and significant operating policies of the Company and monitor the Management performance based on Key Performance Indicators within budget as approved by the Board.
- b) To approve any investments, divestment and acquisitions including the setting up of new subsidiaries/associated companies and the participation in new business activities.
- c) To approve the appointment of Advisors.
- d) To monitor the quantitative and qualitative performance of the Company and BHB Group against target and objectives.
- e) To oversee all facets of the Company's operation from technical to investment are undertaken according to plans and guidelines.
- f) To make recommendation for approval of the shareholders the appointment and removal of Auditors and to fix their remuneration.
- g) To consider and recommend such resolutions as required by law or by the Memorandum and Articles of Association to members in general meeting.
- h) To appoint or remove the Company Secretary/Joint Secretary/Assistant Company Secretary. The Board should appoint a suitably qualified and competent company secretary who can support the Board in carrying out its roles and responsibilities.
- i) To develop and implement an investor relations programme or shareholder communications policy for the Company.

- j) To approve all transactions within its authority limit.
- k) To review and approve any appointment of corporate representative to act on behalf of the Company.
- l) To ensure that the business operations of the Company are conducted in accordance with the Shariah principles.
- m) To review and approve BHB's Capital Adequacy Assessment Process (ICAAP).
- n) On the implementation of ICAAP:-
 - i. To note and monitor reports on capital adequacy; and
 - ii. To review internal audit reports on capital management.

4.2 Finance

- a) To review the adequacy and integrity of the Company's accounting and financial reporting systems and ensure appropriate controls are in place.
- b) To review and approve the following matters, including but not limited to:-
 - i. Annual business plan and budget of the Company;
 - ii. Quarterly and year-end financial statement of the Company;
 - iii. Distribution of the Company's dividend (subject to shareholders approval); and
 - iv. Any purchase or disposal of goods of fixed assets within limits stipulated in the Authority Limit document.

4.3 Risk Management

- a) To review and approve risk management policies and ensure that the Company establishes adequate internal controls and infrastructure.
- b) To identify principal risks to ensure the implementation of appropriate systems to manage these risks.
- c) Review and approve any new outsourcing proposals.

4.4 Compliance

- a) To review relevant reports or proposals to ensure operations of the Company are in compliance with the security laws, the Companies Act 1967, Listing Requirements and the Articles of Association of the Company and any regulations and guidelines under the relevant laws.
- b) Perform the oversight function over the effective functioning of Bank Islam Shariah governance framework and ensure that the framework commensurate with the size, complexity and nature of business.
- c) Consider and provide any response, attestation, undertaking or confirmation as required by regulatory authorities in relation to compliance with regulatory requirements.
- d) To review and approve necessary disclosures concerning the activities and operations of the Company as directed by the relevant authorities.

4.5 Human Resource

- a) To approve the appointment, and terms and conditions of service of the Group Managing Director/Chief Executive Officers of the Company.
- b) To approve the appointment, and terms and conditions of service of Senior Vice Presidents and above within the Company.
- c) To approve changes to the organization structure of the Company.
- d) To review and approve the succession planning, including appointing, training, fixing the compensation of and where appropriate replacement of senior management.
- e) To approve the quantum and basis of bonus payments to the Management and staff of the Company.
- f) To approve policies pertaining to staff salary and benefits.
- g) To review and approve Human Resource policy including but not limited to salary and remuneration scheme, code of conduct and disciplinary action procedures.
- h) Review and approve any policies related to directors including Directors Remuneration policy, Tenure of Directorship and Directors Training

4.6 Internal Audit Function

Subject to recommendation by Audit and Examination Committee, to approve or terminate the appointment of Chief Internal Auditors. The Chief Internal Auditor shall report directly to the Audit and Examination Committee.

4.7 Internal Controls

- a) Review the effectiveness of internal controls and risk management processes; and
- b) Review the Company's statement on internal control systems prior to endorsement by the Board of Directors. To determine on the outsourcing of internal audit function of BHB to the Internal Audit Department of Bank Islam.

4.8 Board Membership and Board Committees

- a) To approve the appointment and re-appointment of Directors to the Board of the Company (subject to the Company's Articles of Association and Bank Negara Malaysia's approval).
- b) To approve Directors emoluments and benefits for the Non-Executive Directors of the Company.
- c) To appoint committees of the Board and to delegate any of its powers to such committees as they shall from time to time deemed fit operating within clearly defined terms of reference.
- d) To review key executive and Board remuneration and ensuring a formal and transparent Board nomination and remuneration process.
- e) To determine on the outsourcing of Shariah advisory functions in BHB and/or its Group to relevant Shariah Supervisory Council as may be approved by the Board.

5.0 Others

The Board shall also have the authority to review and approve such other matters as determined by the Board of Directors of the Company, from time to time.

6.0 MEETINGS

- a) The Board shall meet not less than once every two (2) months with additional meetings for particular matters as and when required.
- b) The Secretary on the request of the Chairman/Directors, shall at any time summon a meeting of the Board by giving due notice. It shall not be necessary to give notice of a Board meeting to any Directors for the time being absent from Malaysia.
- c) The Secretary shall draft out the agenda for each meeting, in consultation with the Group Managing Director/Chief Executive Director and Chairman of the Board. The agenda shall be sent to all Directors and any other persons who may be required to attend the meeting.
- d) No business shall be transacted at any meeting of the Board unless a quorum is present. Pursuant to BNM GP1-i, the quorum necessary for transaction of the business shall be not less than 50% of the total Board of Directors. Pursuant to Article 77(a) of the Company's Articles of Association, a Director who is interested in contract or a proposed contract or arrangement/transaction shall not be counted for the purposes of determining a quorum.
- e) The Chairman of the Board shall chair the Board meetings and in his absence, the Directors present shall elect one Director among themselves to chair the meeting.
- f) The Chairman shall have a casting vote in case of equality of votes subject to Article 78 of the Company's Articles of Association.
- g) In order to avoid conflict of interest, a Director shall abstain from participating in discussions and decisions on matters directly involving the said director.
- h) Any director participate in the meeting via tele-conferencing device shall be counted for the purpose of determining a quorum.

7.0 SECRETARY

- a) The Secretary of the Board shall be the Company Secretary or such other person(s) appointed by the Board.
- b) The Secretary shall record the proceedings and resolutions of all proceedings of the Board.

8.0 CIRCULAR RESOLUTION

- a) The Board may deal with matters by way of circular resolution. A resolution in writing signed by all the Directors who may at the time be present in Malaysia, shall be as valid and effectual as if it had been passed by a meeting of the Board duly called and constituted. The decision shall be presented at the next Board subsequent meeting, for noting and minutes.
- b) Consent from the Chairman shall be obtained prior to the issuing of any circular resolution.

9.0 ATTENDANCE

- a) Each individual member of the Board is required to attend at least 75% of the total board meetings held in each financial year;
- b) Members who are unable to attend the meeting shall advise the Chairman or the Secretary; and
- c) Subject to Chairman's consent with the advised from Group Managing Director/Chief Executive Officer, the Senior Management or any other persons shall be invited to attend the meetings as and when required.

10.0 REVIEW

The Board of Directors may review the TOR of the Board of Directors once every two years or as and when is necessary.