

# **BIMB HOLDINGS BERHAD**

## **BOARD CHARTER**

### **SECTION 1: INTRODUCTION**

The Board Charter contains broad principles and requirements on the Board's governance in accordance with the principles of good corporate governance as set out in the recommendation and guidelines issued by the relevant regulatory authorities. The Board is expected to be fully committed in promoting and sustaining a strong culture of good corporate governance and uphold high standards of business integrity and professionalism when carrying out their duties and responsibilities as directors of BIMB Holdings Berhad ("BHB") in line with ethical values and Islamic principles.

The broad and fundamental principles of governance are based on the requirements of the following:-

- Bank Negara Malaysia ("BNM") Corporate Governance Policy and BNM GP7 (Code of Ethics)
- Malaysian Code of Corporate Governance 2012
- Bursa Malaysia Listing Requirement
- Islamic Financial Services Act 2013 ("IFSA")
- Companies Act 2016

### **DUTIES & RESPONSIBILITIES OF THE BOARD**

#### **SECTION 2: ROLES & RESPONSIBILITIES**

##### **2.1 Fiduciary Duties of Director**

2.1.1 Directors of BHB have the fiduciary duties to ensure that at all times they exercise their powers for a proper purpose and in good faith in the best interest of the Company. In discharging their duties, the directors must exercise reasonable care, skill and diligence with the knowledge, skill and experience which may reasonably be expected of a director who has the same responsibilities and any additional knowledge that the director in fact has.

2.1.2 Directors who make a business judgment is deemed to meet the above requirements, if the director:-

- (a) makes the business judgment for a proper purpose and in good faith;
- (b) does not have a material personal interest in the subject matter of the business judgment;
- (c) is informed about the subject matter of the business judgment to the extent the director reasonably believes to be appropriate under the circumstances; and
- (d) reasonably believes that the business judgment is in the best interest of the Company.

2.1.3 To enable the directors to discharge their fiduciary duties properly, the directors may be provided with information, professional or expert advice, opinions, reports or statements including financial statements and other financial data prepared or presented by the Management or any independent professional advisor engaged by the Company.

## 2.2 Roles & Responsibilities of the Board

2.2.1 The Board has the overall responsibility for promoting the sustainable growth and financial soundness of BHB 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 decision on BHB, its stakeholders and the general public.

2.2.2 The Terms of Reference stipulates the primary duties and responsibilities of the Board and the conduct of the Board meeting.

2.2.3 In general, the Board's key roles and responsibilities include but not limited to the following:-

- (a) Oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- (b) Oversee the Company's risk management and compliance with any regulatory requirements as imposed by the relevant regulatory authorities;
- (c) Oversee the selection, performance, remuneration and succession plans of the Managing Director / Chief Executive Officer ("CEO"), 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 the Company;
- (d) Oversee the overall remuneration system of the Company operates as intended in line with the business and risk strategies, corporate values and long term interests of the Company;
- (e) Promote together with the senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior;
- (f) Promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- (g) Promote timely and effective communication between the Company and regulatory authorities on matters affecting or that may affect the safety and soundness of the Company;
- (h) give due regard to any decision of the Shariah Supervisory Council ("SSC") and BNM Shariah Advisory Council on any issue relating to the business, affairs or activities of BHB; *and*
- (i) Promote Shariah compliance in accordance with the expectations set out in the BNM policy document on Shariah Governance Framework for Islamic Financial Institutions and ensure its integration with the Company's business and risk strategies. While the SSC has distinct responsibilities in relation to Shariah matters, the Board shall remains responsible for the direction and control of the Company's business and risk strategies.

### **2.3 Roles & Responsibilities of the Board Committees**

2.3.1 The Board delegates specific responsibilities to the following Board Committees to support and facilitate the Board in carrying out its duties and responsibilities:-

- (a) Board Risk Committee;
- (b) Audit & Examination Committee; and
- (c) Nomination & Remuneration Committee.

2.3.2 The Board Committees operate within clearly defined roles and responsibilities as stipulated in their respective Terms of Reference.

2.3.3 The Board Committees report to the Board on their deliberations, findings and recommendations. Minutes of the Board Committees are submitted to the Board for notification.

2.3.4 The Board remains fully accountable for any authority delegated to the Board Committees.

### **2.4 Roles & Responsibilities of the Chairman**

2.4.1 The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman must:-

- (a) ensure that appropriate procedures are in place to govern the Board's operation;
- (b) ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are brought to the Board's attention, and that directors receive the relevant information on a timely basis;
- (c) encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed;
- (d) provide leadership to the Board and steer the Board to achieve its objectives; and
- (e) lead efforts to address the Board's developmental needs.

### **2.5 Roles & Responsibilities of the Managing Director / CEO and Senior Management**

2.5.1 The key role of the Managing Director / CEO, amongst others, include:

- (a) develop the strategic direction of the Company;
- (b) ensure that the Company's strategies and corporate policies are effectively implemented;
- (c) ensure that Board decisions are implemented and Board directions are responded to;
- (d) provide directions in the implementation of short and long term business plans;

- (e) provide strong leadership; i.e. effectively communicate the vision, management philosophy and business strategy to the employees;
- (f) keep the Board fully informed of all important aspects of the Company's operations and ensuring sufficient information is distributed to the Board members; and
- (g) Ensure the day-to-day business affairs of the Company are effectively managed.

2.5.2 The Managing Director / CEO in leading senior management bears primary responsibility over the day-to-day management of the Company. The responsibilities of senior management include:-

- (a) implement the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- (b) establish a management structure that promotes accountability and transparency throughout the financial institution's operations, and preserves the effectiveness and independence of control functions;
- (c) promote, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (d) address actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- (e) regularly update the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to:-
  - (i) the performance, financial condition and operating environment of the Company;
  - (ii) internal control failures, including breaches of risk limits; and
  - (iii) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.

## 2.6 Roles & Responsibilities of Independent Director

2.6.1 Independent directors should ensure a strong element of independence on the Board, both in thought and actions.

2.6.2 The effective participation of independent directors enhances accountability in the Board's decision making process. The responsibilities of an independent director include the following:-

- (a) Provide and enhance the necessary independence and objectivity to the Board;
- (b) Ensure effective checks and balances on the Board;
- (c) Mitigate any possible conflict of interest between the policy making process and the day-to-day management of the Company;

- (d) Constructively challenge and contribute to the development of business strategy and direction of the Company; and
  - (e) Ensure that adequate systems and controls to safeguard the interests of the Company are in place.
- 2.6.3 All independent directors are required to provide a declaration to confirm the status of his/her independence on a monthly basis to Secretarial Division.
- 2.6.4 An independent director must immediately disclose to the Board any change in his/her circumstances that may affect his/her status as an independent director. In such a case, the Board must review his/her designation as an independent director and notify BNM in writing of its decision to affirm or change his/her designation.
- 2.6.5 In addition to his/her role as an Independent Director, the additional responsibilities of Senior Independent Non-Executive Director include the following:
- a) Providing a sounding board for the Chairman;
  - b) An intermediary for other Directors when necessary and specifically serves as the principal conduit between the Independent Non-Executive Directors and the Chairman on sensitive issues;
  - c) Promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with;
  - d) Ensure the composition of the Board with regards to the number of Independent Directors adheres to relevant requirements and regulations;
  - e) Being available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole; and
  - f) Being available to shareholders and other stakeholders if they have any concerns which are unable to be resolved through the normal channels of Chairman, Chief Executive Officer and Group Chief Financial Officer, or if contact through these channels are deemed inappropriate.

## **2.7 Roles & Responsibilities of Nominee Director**

- 2.7.1 Nominee director shall act in the best interest of the Company. In the event of any conflict between his/her duty to act in the best interest of the Company and his/her duty to his/her nominator, he/she shall not subordinate his/her duty to act in the best interest of the Company to his/her duty to the nominator.
- 2.7.2 The conduct / manner of the nominee director in exerting the influence of the shareholder are also assessed via the annual Board evaluation exercise. This is part of the control in ensuring compliance with BNM's Shareholders Suitability policy.
- 2.7.3 Where a Board member is also nominee director appointed by BHB in a major operating subsidiary or investee company, he/she is expected to update the Board of any material issues discussed or decided at the subsidiary or investee company level.

## **2.8 Roles & Responsibilities of Company Secretary**

- 2.8.1 The Company Secretary is responsible in 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 flows between the Board, the Board Committees and senior management. All directors have direct and unrestricted access to the advice and services of the Company Secretary.
- 2.8.2 The Company Secretary shall record the proceedings including any significant concerns or dissenting views and resolutions of all proceedings of the Board and the Company's general meeting. The minutes must also indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.
- 2.8.3 The Company Secretary shall keep confidential the affairs of the Company and its officers at all times.
- 2.8.4 The Company Secretary shall ensure that all statutory documents which include the register books and minutes of meetings are properly kept at the registered office of BHB.
- 2.8.5 The Company Secretary of the Company must devote the whole of her professional time to the affairs of the Company or its affiliates.
- 2.8.6 The appointment and removal of the Company's Company Secretary must be approved by the Board.

## **POWER OF THE BOARD**

### **SECTION 3: AUTHORITY & DELEGATION**

- 3.1 The Board derives its authority to act from the Company's Articles of Association and the laws and regulations governing financial institutions and companies in Malaysia. In carrying out its duties and responsibilities, the Board has the authority to decide and approve matters within its primary duties and responsibilities in line with the Authority Limits document or such limits as may be determined by the Board from time to time.
- 3.2 The Board may delegate any of its authority to the Board Committees, a director, the Management, employee or other person subject to the ultimate responsibility remains at the Board.

### **SECTION 4: MATTERS RESERVED FOR THE BOARD**

- 4.1 The Board is the highest authority in BHB Islam carries ultimate responsibility for the proper stewardship of the Company. Therefore, matters or issues that are deliberated and decided at the Board meeting must be strategic in nature which include, amongst others, the following:-
- (a) Strategic policy matters including the business plan, budget, corporate organisation structure and significant operating and credit policies;
  - (b) Financial results;
  - (c) Declaration of dividends;
  - (d) Risk appetite setting;

- (e) Capital management plan;
- (f) Authority Limit document including discretionary authority vested to any employees of BHB;
- (g) Any corporate exercise including acquisition or divestment of strategic interest in a business venture;
- (h) Major acquisition or disposal of capital expenditure within the limits stipulated in the Authority Limit document;
- (i) Appointment of directors, Managing Director / CEO, Company Secretary and key senior management officers;
- (j) Remuneration of directors, Managing Director / CEO and key senior management officers;
- (k) The entry into any contract, arrangement or commitment with any related party;
- (l) Any new outsourcing proposals; and
- (m) Any other specific matters as determined by the Board from time to time.

## **BOARD EFFECTIVENESS**

### **SECTION 5: APPOINTMENT / REMOVAL / SUCCESSION PLANNING**

#### **5.1 Appointment / Removal / Succession Planning of Board of Directors**

- 5.1.1 Section 63(3) of IFSA requires BHB to submit a written application to seek BNM's approval on the appointment or reappointment of a Chairman or director. The application must be submitted to BNM at least three (3) months before it expects the individual to assume his/her proposed responsibilities as new Chairman or director. In the case of a reappointment, the application must be submitted three (3) months prior to the expiry of the Chairman or director's existing term.
- 5.1.2 A director must fulfil the following minimum requirements at the time of his appointment or reappointment and on continuing basis:-
  - (a) he/she must not be disqualified under section 68(1) of the IFSA, and must have been assessed by the Nomination & Remuneration Committee ("NRC") to have complied with the fit and proper requirements as adopted by the Company under para 5.4 below.
  - (b) he/she must not be an active politician.
  - (c) Where a firm has been appointed as the external auditor of BHB, 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 BHB until at least two (2) years after:-
    - (i) He/she ceases to be an officer or partner of that firm; or
    - (ii) The firm last served as an auditor of the Company.
  - (d) Practicing lawyers who are partners in a legal firm, which is on the panel lawyers of BHB, may be appointed to the Board. However, he/she is required to disclose the relationship so as to address any potential conflict of interest situation.
  - (e) He/she must not be a director of another company that is in the same industry/sector with BHB.

- (f) He/she must comply with the restriction on external professional commitments as stipulated in para 5.5 below.
- 5.1.3 Each director must be assessed against the above minimum requirements at least annually, and as and when the Board becomes aware of information that may materially compromise the director's fitness and propriety, or any circumstances that suggest that the director is ineffective, errant or otherwise unsuited to carry out his/her responsibilities, a director must immediately disclose to the Board any circumstance that may affect his/her ability to meet the minimum requirements.
- 5.1.4 The Board must establish and regularly review succession plans for the Board to address any vacancies.
- 5.1.5 Upon appointment, each director must acknowledge the terms of his/her appointment, which must include:-
  - (a) The roles and responsibilities of the director, including those arising from his membership of any Board Committee;
  - (b) The tenure of the appointment; and
  - (c) Provisions for the director's removal in the event that he/she no longer meets the minimum requirements or has been assessed to be ineffective, errant or otherwise unsuited for carrying out his responsibilities.
- 5.1.6 Unless the written approval of BNM has been obtained:-
  - (a) BHB must not publicly announce the proposed appointment of a director; and
  - (b) a director whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such capacity, including by participating in board meetings or holding himself out as a director.
- 5.1.7 The Articles of Association of BHB provides that at every annual general meeting of BHB, one-third of the directors other than the Managing Director are subject to retirement by rotation. The directors to retire shall be those who have been longest in office since their last election. The retiring directors are eligible for re-election. Directors who are appointed as additional new directors or to fill casual vacancies during the year are eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at the annual general meeting.

## **5.2 Appointment / Removal of Independent Director**

- 5.2.1 The Board must determine whether an individual to be appointed as an independent director is independent in character and judgment and free from associations or circumstances that may impair the exercise of his/her independent judgement.
- 5.2.2 Without limiting the generality of the foregoing, an individual must not be considered to be an independent director if he/she or any person linked to him/her:-

- (a) has been an executive in the last 2 years and is an officer (except as a non-executive director) of BHB or any of its related companies. For this purpose, “**officer**” has the meaning given in section 4 of the Companies Act 2016;
- (b) is a substantial shareholder of BHB or any of its affiliates. For this purpose “**Affiliates**” refers to corporation that controls, is controlled by, or is under common control with BHB;
- (c) is a family member of any executive director, key senior management officer or a major shareholder of BHB;
- (d) is acting as a nominee or representative of any executive director or major shareholder of BHB;
- (e) has been engaged as an adviser by BHB or any of its related company under such circumstances as prescribed by Bursa Securities or is presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to BHB or any of its related company under such circumstances as prescribed by Bursa Securities; or
- (f) has been engaged in any significant business or other contractual relationship with BHB or any of its affiliates within the last 2 years.

Note : Significant business or other contractual relationship refers to any transaction with a value of above RM1.0 million.

However, “transactions” stated above shall exclude the following transactions:-

- (a) for personal use of the said director;
- (b) for personal investment of the said director except for the purpose of carrying on a trade or business; or
- (c) normal transactions other than financing and advances provided that such transactions are on normal commercial terms.

5.2.3 An independent director is subject to a maximum tenure of nine (9) years. An independent director who has served for nine (9) years, may, subject to the shareholder and BNM’s approval, continue to serve the Company in the capacity of independent director. In any event, no independent Director will continue to serve the Board for more than 12 years

5.2.4 Prior approval from BNM must be obtained before the removal or resignation of an independent director take effect.

5.2.5 Generally, a non-independent director may be appointed as an independent director after two (2) years grace period upon his/her resignation as non-independent director of the Company.

5.2.6 An Independent Director who has been redesignated to Non-Independent Director and does not represent any shareholder may continue to be a member of the Board subject to the Board being satisfied that he/she meets the following criteria:-

- a) His/her knowledge, expertise as well as experience are vital and does not possess by current board members.

- b) His/her knowledge, expertise, and experience are unique and difficult to be replaced.

### **5.3 Appointment / Removal of Managing Director / CEO**

5.3.1 Section 63(3) of IFSA requires BHB to submit a written application to seek BNM's approval on the appointment or reappointment of a Managing Director / CEO. The application must be submitted to BNM at least three (3) months before it expects the individual to assume his/her proposed responsibilities as Managing Director / CEO. In the case of a reappointment, applications must be submitted three (3) months prior to the expiry of the Managing Director / CEO's existing term.

5.3.2 The Company shall submit an application to BNM for the appointment or reappointment of the Managing Director / CEO when the Board is fully satisfied that the candidate meets the following minimum requirements:-

- (a) he/she must not be disqualified under section 68(1) of the IFSA, and must have been assessed by the NRC to have complied with the fit and proper requirements;
- (b) he/she must not be a substantial shareholder of BHB;
- (c) he/she must devote the whole of his professional time to the service of the Company unless BNM approves otherwise in writing. BNM may allow the Managing Director / CEO to assume a position of responsibility outside the Company where the proposed position does not:-
  - (i) Create substantial conflicts of interest or demands on the Managing Director / CEO's time; and
  - (ii) Result in the Managing Director / CEO holding directorships in more than five (5) entities other than the Company.

5.3.3 Unless the written approval of BNM has been obtained:-

- (a) BHB must not publicly announce the proposed appointment of the Managing Director / CEO; and
- (b) The Managing Director / CEO whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such a capacity, including by holding himself out as the Managing Director / CEO.

### **5.4 Fit & Proper Criteria**

5.4.1 In determining whether an individual is "Fit & Proper", the following are the minimum factors that must be taken into considerations:-

- (a) Probity, personal integrity and reputation;
- (b) Competency and capability; and
- (c) Financial integrity.

5.4.2 Probity, personal integrity and reputation are values that can be demonstrated through personal qualities such as honesty, integrity, diligence, independence of

mind and fairness. These qualities are demonstrated over time and demand a disciplined and on-going commitment to high ethical standards.

5.4.3 Competency and capability are demonstrated by a person who possesses the relevant knowledge, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his/her role in a key function in the relevant capacity effectively.

5.4.4 Financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently.

5.4.5 In assessing a person's "fit & proper", the NRC and/or the Board shall have the discretion to conduct an interview with the individual concerned prior to the appointment / re-appointment.

5.4.6 To facilitate the NRC and the Board in the appointment or re-appointment of directors, BHB has established a set of criteria in evaluating the fit & proper of a director as follows:-

(a) Necessary Skills & Experience

- (i) Possess the necessary qualification in the relevant industry;
- (ii) Possess the necessary functional / technical expertise in the relevant area; and
- (iii) Possess the relevant working experience in a senior position of not less than 10 years;

(b) Character & Financial Standing

- (i) Not an undischarged bankrupt and no bankruptcy proceeding / legal action in relation to dishonesty and fraud is taken against him/her;
- (ii) Has not committed any criminal offence relating to dishonesty and fraud and no charge for such offence under any law; and
- (iii) Has not been a director of a company that has been wound up due to insolvency.

(c) Commitment & Contribution

- (i) Attended at least 75% of the Board meetings in each financial year;
- (ii) Obtained at least satisfactory rating from the peer evaluation in terms of his/her contribution and participation in Board meetings; and
- (iii) Comply with the restriction on External Professional Commitment under para 5.5 below.

5.4.7 The fitness and propriety of the directors will be reassessed annually by executing the fit and proper declaration.

## **5.5 Restriction on External Professional Commitment**

5.5.1 A director must not have competing time commitments that impair his/her ability to discharge his/her duties effectively. In this regard, each director is required to ensure that the maximum number of external professional commitments must not be more than ten (10) unless with the prior approval of the Board.

Note : External professional commitments are defined as holding directorship or any position (executive or non-executive) in organisations other than BHB.

5.5.2 The above limit is subject to the maximum number of directorship in listed companies must not be more than five (5).

5.5.3 Notwithstanding the above, the Managing Director / CEO must not hold directorship in more than five (5) entities other than BHB, unless with the prior approval of BNM. The maximum number of directorship excludes any directorship in a professional body, industry association, statutory body, charitable body or other non-commercial public interest.

5.5.4 Each director is required to notify the Company Secretary on any change in the status of their external professional commitment within one (1) month from the date of the said changes. In addition, Secretarial Division will obtain confirmation from each director on the status of their external professional commitment, on monthly basis.

## **SECTION 6: BOARD COMPOSITION**

6.1 The Board and the Board Committees must be of a size that promotes effective deliberations, encourages active participation of all directors and allows the work of the various Board Committees to be discharged without giving rise to an over extension of directors that are required to serve on multiple Board Committees.

6.2 Article 65 of the Articles of Association of BHB specifies that the number of directors shall not be less than five (5) not more than fifteen (15).

6.3 BNM Corporate Governance Policy specifies the requirement on the Board composition as follows:-

6.3.1 The Chairman of the Board must not be an executive, and must not have served as the CEO in the past five years.

6.3.2 The Board must not have more than one executive director, unless approval from BNM is obtained.  
*(Executive Director refers to a director who has management responsibilities in BHB or any of its affiliates).*

6.3.3 The majority of the Board members must be independent directors.

6.3.4 Directors who are board members of BHB and its affiliates must remain in the minority of BHB's board.

6.4 BHB encourages diversity of skills in the Board composition (including gender diversity) as it is an important driver of a board's effectiveness.

## **SECTION 7: DIRECTOR TRAINING**

7.1 Any director that is newly appointed to the Board will undergo a briefing by the Management on the company's governance structure, key management members, business and operations and important regulations and laws. A director's handbook, the latest Annual Report of the Company and other relevant information will be made available

to the director. The said session will be organised as soon as practicable not later than three (3) months upon the appointment of the director.

- 7.2 All directors of the Company will be required to undergo and complete the Director's Mandatory Accreditation Programme by Bursa Securities within 4 months of his/her appointment. In addition, all directors are required to register a core training program under the Financial Institutions Directors' Education Program (FIDE Forum) within one (1) year and to complete within two (2) years upon their appointment to the Board.
- 7.3 The directors are encouraged to attend other trainings that are relevant to enable them to discharge their responsibilities. In this regard, focus will be on the elective trainings organised by FIDE Forum as such trainings are structured based on areas that are relevant to the Companying industry and conducted by experienced speakers and trainers.
- 7.4 The directors may also attend other trainings organised by local professional bodies and regulatory authorities within Malaysia in areas that are relevant to the Group.
- 7.5 The NRC may approve any directors to attend trainings overseas if such trainings are viewed to be crucial for BHB and the trainings are not available within Malaysia.
- 7.6 All directors are required to attend at least two (2) trainings in the calendar year. Status of the directors training will be annually disclosed in the Annual Report.

## **SECTION 8: DIRECTOR EVALUATION**

- 8.1 A Board evaluation must be carried out once a year to assess the performance and effectiveness of the Board, Board Committees and the individual directors (which include assessment on their role as independent or nominee director).
- 8.2 Where necessary, an external consultants / expert will be engaged to assist in and lend objectivity to the annual assessment.

## **SECTION 9: DIRECTOR REMUNERATION**

- 9.1 BHB has in place a remuneration structure for the directors that are sufficient to attract, retain and remunerate for their contribution to the Company.
- 9.2 The remuneration structure for the non-executive directors takes into consideration the relevant factors which include the function, workload, responsibilities and time spent for the preparation of the Board and Board Committee meeting. A higher rate (premium) is given to the Chairman of the Board and the Board Committee in view of his/her additional role in guiding and managing the Board and the Board Committee meeting. The remunerations includes monthly fees, meeting allowances and other benefits such as leave passage.
- 9.3 The review of remuneration for the non-executive directors is conducted every three (3) years to ensure that it remains competitive with the industry.
- 9.4 The remuneration of the Managing Director / CEO is recommended by the NRC and determined by the Board. The performance of the Managing Director / CEO is assessed annually based on the set of Key Performance Indicators (KPIs) approved by the Board. This is taken into consideration when determining the reappointment of the Managing Director / CEO and in payment of bonus, where applicable.

9.5 The remunerations of the directors is disclosed annually in the Company's Annual Report.

## **BOARD CONDUCT**

### **SECTION 10: CODE OF ETHICS**

10.1 The Board observes the following Code of Ethics:-

10.1.1 Code of Ethics for the Financial Services Industry issued by Financial Services Professional Board;

10.1.2 Code of Ethics for Company Directors issued by the Companies Commission of Malaysia; and

11.1.3 Such other code of ethics issued by the relevant governing authority.

10.2 The directors are expected to demonstrate utmost integrity and conduct themselves with high standard behaviour based on the following fundamental principles:-

10.2.1 Duty to Avoid Conflict of Interest

A director must not allow himself/herself to get into a position where there is a conflict between his/her duty to the Company and his/her own interest. Under section 67(4) of the IFSA, director has a duty to disclose his/her interest in material transaction or material arrangement. If the material transaction or material arrangement is being deliberated during the Board meeting, the director concerned must make the disclosure before the commencement of the deliberation and he/she must not be present during such deliberation.

10.2.2 Duty to Avoid Misuse of Position

Directors must not use the Company's name or facilities for personal advantage in political, investment or retail purchasing transactions, or in similar types of activities. The directors and their relatives must not use their connection with BHB to borrow from or become indebted to customers or prospective customers. In addition, the directors must not use the Company's facilities and influence for any speculation activities, whether acting personally or on behalf of friends and relatives. The directors should also not engage in "back-scratching" exercise with staff and directors of other financial institutions to provide mutually beneficial transactions in return of similar facilities.

10.2.3 Duty of Confidentiality and Prevent Misuse of Information

All directors are required to respect the confidentiality of sensitive information held by the Company. A director is prohibited from making improper use of information obtained in the course of performing his/her duties for his/her gain or advantage. In addition, a director cannot disclose information relating to the business and affairs of the Company or that he/she obtains in the course of performance of duties and functions, as well as information about customers of the Company. All confidential information remains confidential even when they are no longer on the Board and it cannot be exploited or improperly used.

#### 10.2.4 Integrity of Records and Transactions

Directors should ensure that all accounting records and reports must be complete and accurate. Directors should never make entries or allow entries to be made for any account, record or document of the Company that are false or would obscure the true nature of the transactions, as well as to mislead the true authorization limits or approval by the relevant authority of such transactions.

#### 10.2.5 Fair and Equitable Treatment

Directors must ensure that all business dealings of BHB with current and potential customers, with the employees and with all those who may have cause to rely upon the Company to be conducted fairly and equitably. Directors must not be influenced by friendship or association, either in meeting a customer's requirements or in recommending that they be met. Such decisions must be made on a strictly arms-length business basis.

#### 10.2.6 Operational Issues

The Board's role is to consider and approve strategies, plans and policies for the Company and to monitor and review the Management's performance. It is the role of the Management to recommend and implement those plans and strategies. The directors should avoid interfering in the day to day running of the Company. The Board is to hold the Management to account more effectively and to make decisions on the Company's priorities.

#### 10.2.7 Responsibility for Board Decisions

The directors must be capable of providing constructive challenge. They are also expected to share responsibility for decisions taken by the Board as a whole. If any of the directors fundamentally disagree with the decision taken by the Board, they have the option of recording their disagreement in the minutes. However ultimately, they must accept and support the collective decision of the Board.

#### 10.2.8 Loyalty to the Company and the Board

All directors must be loyal to the Company, the Board and fellow directors on the Board, and be fully committed to all Board-related activities. A director is prohibited from doing, saying or publishing anything that may be detrimental to the Company's interest. A director should never publicly criticise the Company or fellow directors, attempt to undermine the Board's decision or distance himself from the other directors outside of the Boardroom. If a director has specific concerns about the manner in which the Company is being run, these concerns should be raised with the Chairman and Management or during Board meetings.

#### 10.2.9 Speaking in Public and Usage of Social Media

The Managing Director / CEO is the designated spokesperson who may issue statement or make comments regarding the Company. If any director is asked to comment publicly, the director is required to decline and refer the question to the Managing Director / CEO.

However, on case to case basis, the Board may also appoint the Chairman of the Board or such other director to be the spokesperson for the Company.

In addition, all directors are required to be mindful when using social media such as, but are not limited to Facebook, Twitter, Instagram, Blogs, YouTube, Google+, LinkedIn, WhatsApp and Telegram, that they do not disclose confidential information about the Company's business or its customers. The directors are prohibited from posting and making commentaries that would adversely affect the image and reputation of the Company. If such comments are made in the director's personal capacity, the said director must refrain from identifying himself as the Company's director.

## **SECTION 11: CONFLICTS OF INTEREST**

- 11.1 Conflict of interest is a set of circumstances that creates a risk that professional judgment or actions regarding the director's primary obligation to act in the best interest of the company will be unduly influenced by the interest to do favours for family and friends either for financial gain or such other motives that will be beneficial to the directors or person connected to the directors.
- 11.2 Circumstances that may constitute or may give rise to conflicts of interests situation include but not limited to the following:-
- 11.2.1 a director or person connected to him/her will or might profit from the proposed transaction to be entered by the Company;
  - 11.2.2 a director or person connected to him/her proposing to contract personally with the Company;
  - 11.2.3 a director or person connected to him/her sit on the Board of direct competitor, the customer, potential customers or suppliers of the Company;
  - 11.2.4 a director or person connected to him/her being the majority shareholder of the Company;
  - 11.2.5 a director or person connected to him/her being the potential customer, supplier or advisor/consultant to the Company; and
  - 11.2.6 a director or person connected to him/her accepting costly entertainment or gifts from customers, potential customers or suppliers. However, directors may accept token gifts with no commercial value during the festive seasons if such act will not put the director in compromising position.
- 11.3 Each director is required to declare upon his/her appointment and subsequently upon come to his/her knowledge of any conflict of interest, a notification pursuant to sections 57, 219 and 221 of the Companies Act, 2016. The Secretarial Division shall keep record of the said declaration.
- 11.4 In the event where there may be a conflict of interest, the interested director shall declare at the beginning of the Board meeting the facts and nature of the conflict and to leave the meeting room and abstain from participating in discussions and decisions on the matters directly involving the said director. In circumstances where a director is unsure as to whether or not a conflict of interest exists or is material, he/she should discuss the matter with the Chairman prior to the meeting.

Where a conflict of interest exists and the Board Member does not declare his or her interest and/or offer to withdraw, the Chairman should, if he is aware, take appropriate action to ensure that the Board (and the Board Member concerned) is not compromised.

The fundamental principle is that no one should use, or give the appearance of using, their public position to further their private interests. This is an area of particular importance as it receives considerable media attention and even innocent acts could be misinterpreted.

- 11.5 In the event of any non-compliance with the above conflict of interest requirement, the Board shall take or impose such actions as it considers appropriate in the best interest of the Company.

## **SECTION 12: SHAREHOLDERS COMMUNICATION**

The Board recognises the importance of timely, complete, accurate and equal dissemination of information with regard to the Company and the Group's performance and other matters affecting shareholders' interest, investors and the general public. Shareholders are informed of all major developments and transactions affecting the company by way of disclosures via Bursa Securities, Annual Report, general meeting, media, website as well as through the Company's Investor's Relation activities.

## **SECTION 13: WHISTLE BLOWING POLICY**

- 13.1 The Company has established its Whistle Blowing Policy which sets out avenues for immediate reporting and/or disclosing of any wrong doings, malpractices or irregularities, committed by employees and/or external parties against the Company's interest. The policy protects the confidentiality of the matters raised and the identity of the whistleblower.
- 13.2 The Board had appointed amongst the Independent Directors, a Senior Independent Non-Executive Director (SID) to play his role as a person to whom concerns of shareholders and other stakeholders can be conveyed. The said additional responsibilities and the SID email address are disclosed in the Annual Report of BHB.

## **SECTION 14: DEALING IN SECURITIES**

Directors and principal officers of the Company are prohibited from trading in any affected securities based on price sensitive information and/or knowledge which have not been publicly announced. Notices on the closed period for trading in BHB and/or any affected securities are circulated to Directors and principal officers deemed privy to any price sensitive information in advance of the closed period, wherever applicable.

Board members shall notify the Secretarial Division of all changes in his/her holding of securities of the Company, if any.