

**BOARD CHARTER**

**AFFIN BANK BERHAD**  
197501003274 (25046-T)

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<b>BOARD CHARTER</b>
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**TABLE OF CONTENTS**

		Pages
1.0	Preamble	4
2.0	Objectives	5
3.0	The Board	5
3.1	Key Responsibilities	5-8
3.2	Matters Reserved	8-9
3.3	Board Meetings	9-10
3.4	Board Composition	10-12
3.5	Non-Executive Directors	12-13
3.6	Independent Directors	13-15
3.7	Senior Independent Director	15
3.8	Criteria and Skill Sets for Board Membership	15-17
3.9	Board Appointments and Removals	17-20
3.10	External Board Appointments	20
3.11	Policy on Tenure Directorships	21-22
3.12	Board Papers and Supply of Information	22-23
4.0	Chairman and President & Group Chief Executive Officer (PGCEO)	23
4.1	Chairman	24-26
4.2	PGCEO	26-27
5.0	Board Committees	27-29
6.0	Board Evaluations, Development and Succession Plans	29
7.0	Conflicts of Interest and Confidentiality	30-31
8.0	Remuneration	31-32
9.0	Delegation to Subsidiary Boards	32
10.0	Corporate Governance Disclosure	32-33
11.0	Financial Reporting	33
11.1	Transparency	33
11.2	Auditors	33-34
12.0	Investor Relations and Shareholders Communication	34
13.0	Relationship with Other Stakeholders	34
13.1	Employees	34-35
13.2	Environment	35
13.3	Social Responsibilities	35

**BOARD CHARTER**

**TABLE OF CONTENTS**

	Pages
14.0 Application	35
15.0 Review of Board Charter	36

**BOARD CHARTER****1.0 PREAMBLE**

The Board of Directors (“the Board”) 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 Affin Bank Berhad (the “Bank”). 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 Affin Group’s stakeholders.

The Board Charter sets out the mandate, roles and responsibilities, and procedures of the Board and Board Committees (both individually and collectively), 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 Bank Negara Malaysia (BNM) and relevant regulatory authorities.

The Board and each Director’s performance will be assessed annually based on the expectations set out in the Board Charter. With the various positions held by each Director on the Board, they are expected to meet the expectations set for each position as these are crucial to the long-term success of the Bank.

The Board may from time to time review the contents of this Board Charter in tandem with the Bank’s Corporate Governance Framework, changes to the Bursa Malaysia Main Market Listing Requirements (MMLR), Malaysian Code on Corporate Governance 2021 (MCCG 2021) issued by Securities Commission Malaysia (SC), BNM Policy Document on Corporate Governance (BNM CG) and Companies Act 2016. This is to ensure that the Bank adopts the best governance standards and practices in view of the ever-changing Governance environment.

It should be noted that this Board Charter serves as a reference to the Board members in discharging their responsibilities. The provisions contained in this Board Charter neither replace nor supersede the laws of Malaysia or the regulatory frameworks applicable.

**BOARD CHARTER****2.0 OBJECTIVES**

The objectives of the 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.

In pursuit of the ideals in the Board Charter, the intention is to exceed “minimum legal requirements” with due consideration to recognised standards of best practices locally and internationally.

**3.0 THE BOARD****3.1 Key Responsibilities**

- 3.1.1 The Board is charged with leading and guiding the Bank in an effective and responsible manner. Each director has a legal duty to act in the best interest of the Bank. The directors, collectively and individually, are aware of their responsibilities to shareholder(s) 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 shareholder(s) and stakeholders are understood and met.
- 3.1.2 The Board understands that the responsibility for good corporate governance and ethics rests with them and therefore strives to follow the principles and best practices of corporate governance and adopts a “zero tolerance” approach on all forms of corruption, and bribery which is enumerated under the Bank’s Anti-Bribery and Corruption Policy.
- 3.1.3 Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Bank, setting aims of Management and monitoring the performance of Management.

**BOARD CHARTER**

3.1.4 The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank, 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 the Bank and its customers, officers and the general public.

In fulfilling this role, the Board must:-

- (a) approve the Bank's risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the President & Group CEO ("PGCEO"), control function heads and other members of the Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;
- (c) oversee the implementation of the Bank's governance framework and internal control framework, and periodically ascertaining whether they remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (d) promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behavior;
- (e) promote, together with Senior Management, ensure governance of sustainability in the Bank through appropriate environmental, social and governance considerations in the Bank's business strategies, priorities and targets;
- (f) oversee and approve the recovery and resolution as well as business continuity plans of the Bank to restore its financial strength and maintain or preserve critical operations and critical services when it comes under stress;

**BOARD CHARTER**

- (g) promote timely and effective communication between the Bank and BNM on matters affecting, or that may affect, the safety and soundness of the Bank;
- (h) undertake various functions and responsibilities as specified in the policy documents and directives issued by BNM and other relevant laws from time to time; and
- (i) ensure the establishment and implementation of group-wide policies and procedures to ensure Group's compliance with the various regulatory requirements and guidelines issued by BNM, SC, Bursa Malaysia and Companies Commission of Malaysia (CCM).

3.1.5 The Board is responsible over the Bank's capital management as follows:-

- (a) Approving the capital plan as part of budget;
- (b) Approving significant capital raising and repayment; and
- (c) Reviewing and note the monitoring reports on capital adequacy.

3.1.6 The Board, in carrying out its functions or duties shall have regard to the interests of depositors or policy owners of the Bank and Participants as defined in the Financial Services Act 2013 (FSA).

Without limiting the generality of Section 56(1) of FSA, the Board of Directors of the Bank shall:-

- (a) set and oversee the implementation of business and risk objective and strategies and in doing so shall have regard to the long-term viability of the Bank and reasonable standards of fair dealing;
- (b) ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the Bank;

<b>BOARD CHARTER</b>
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- (c) oversee the performance of the senior management in managing the business and affairs of the Bank;
- (d) ensure that there is a reliable and transparent financial reporting process within the Bank;
- (e) promote timely and effective communications between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank;
- (f) 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; and
- (g) to approve the Group's Recovery Plan including all related frameworks and/or policies, the activation/deactivation of the Group's Recovery Plan and the Group's transition from "Recovery Plan" phase to "Business as Usual" or "Early Warning" phase.

3.1.7 The Board regularly reviews the anti-corruption compliance activities of the Bank.

### **3.2 Matters Reserved**

3.2.1 The Board reserves for its consideration significant matters such as the following:-

- (a) Approval of financial results.
- (b) Declaration of dividends.
- (c) Risk appetite setting.
- (d) Annual budget and business plan.
- (e) Appointment of key responsible persons.
- (f) Mergers and Acquisitions.
- (g) Policy Manual.
- (h) Connected Parties Transactions.



**BOARD CHARTER**

- (i) Strategic Directions.
- (j) Investment in capital projects.

**3.3 Board Meetings**

- 3.3.1 A director 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 must include a commitment to on-going education.
- 3.3.2 The Board holds at least eleven (11) Board meetings in a year.
- 3.3.3 Board meetings are scheduled in advance at the beginning of the year with additional meetings duly convened as and when required, to review progress reports on the Bank's financial performance, approved strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval.
- 3.3.4 The Board meeting is conducted separately from Board Committee meetings.
- 3.3.5 A Director must attend at least 75% of the Board meetings held in each financial year and must not appoint another person to attend or participate in a Board meeting on his behalf.
- 3.3.6 The quorum for Board meetings shall be at least half of the Board members.
- 3.3.7 The Bank shall provide the Board with access to advice from third party experts on any matter deliberated by the Board as and when required, and the cost of such advice shall be borne by the Bank. Details as per item 3.12.5 below.
- 3.3.8 The views of Management are represented at meetings of the Board by the presence of the PGCEO (as permanent invitee) as well as senior management (as and when required).

**BOARD CHARTER**

3.3.9 Participation at a Board meeting by way of other than physical presence, will be the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

However, the Board members and Management are given the option either to participate in person or telephone, video conference or any other technology facility should there be any limitation to attend physically for example, health issues or in situation of pandemic. If any Director/Management opts to participate in a Board meeting by telephone, video conference or any other technology facility, some safeguards is to be undertaken including but not limited to the following:-

- (a) Ensuring that the telephone or video conference bridge is on a secured network;
- (b) Ensuring that the participant that is dialing into the conference bridge is in a private area with no other persons present, other than any other person(s) authorised to attend the said meeting; and
- (c) The participant uses secured devices to dial-in to the meeting/conference.

**3.4 Board Composition**

3.4.1 The composition of the Board reflects a good measure of objectivity to ensure that the interest of the minority shareholders is not compromised. The influence of the nominees from the major shareholders of the Bank, if any, is balanced by the presence of the majority Independent Directors on the Board whose collective views will act as check and balance to the Board's deliberation and decision-making.

3.4.2 Pursuant to Article 107 of the Bank's Constitution, until otherwise determined by a general meeting, the number of Directors shall not be less than five (5) or more than twelve (12).

**BOARD CHARTER**

- 3.4.3 The Board and the Board 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 Committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board committees.
- 3.4.4 The Board must consist of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.
- 3.4.5 The Chairman of the Board must not be an executive and must not have served as a Chief Executive Officer (CEO) of the financial institution in the preceding five (5) years.
- 3.4.6 The Board must not have more than one (1) Executive Director, unless BNM approves otherwise in writing.
- 3.4.7 The Board composition shall comprise of majority Independent Non-Executive Directors at all times.
- 3.4.8 Common Directors sitting in the Boards of Affin Bank Group shall form a minority.
- 3.4.9 The Group Board Nomination and Remuneration Committee (GBNRC)/Board assess its composition continuously to ensure that it complies with the approved skills set matrix which will enable the Board to discharge their duties effectively.
- 3.4.10 In this respect, the GBNRC will review and deliberate on manner to achieve diversity on the Board and recommend them to the Board for adoption. The Board may request to improve one or more aspects of its diversity and measure progress according to the Bank's objectives and strategic goals.
- 3.4.11 The Board is committed to ensure sufficient diversity in its composition. In undertaking the process of reviewing and selecting potential candidates to fill in the vacancies on the Board, the GBNRC shall be mindful of the approved skills set matrix, expected criteria as well as various diversity factors to strengthen the Board composition.

<b>BOARD CHARTER</b>
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The following sets out the Board's Diversity matrix:-

- (a) Board Skills and Experience
- (b) Age
- (c) Nationality
- (d) Gender

3.4.12 The Board comprise at least 30% women directors.

### **3.5 Non-Executive Directors**

3.5.1 The role of Non-Executive Directors (NED) includes the following:-

- (a) Ensuring effective check and balance in the proceedings of the Board.
- (b) Constructively challenging and contributing to the development of business strategy and direction of the Bank.
- (c) Scrutinising the performance of management in meeting agreed goals.
- (d) Mitigating any possible conflict of interest between the policy-making process and the day-to-day management of the Bank.
- (e) Ensuring adequate systems and controls are in place to safeguard the interests of the Board, the stakeholders, depositors and Participants as defined in the FSA.
- (f) Acquiring knowledge about the business of the Group, the statutory and regulatory requirements for effective discharge of their duties to the Group, and are aware of the physical, political and social environment in which it operates.
- (g) Studying in advance information packets and documentary materials provided and being prepared to discuss their contents at Board meetings.

**BOARD CHARTER**

- (h) Being available to advise Management between Board meetings when necessary.
- (i) Actively participating in and effectively contributing to Board discussions towards meeting the duties and responsibilities of the Board and Committee discussions (where applicable).
- (j) Acting honestly, in good faith and in the best interests of the Group as a whole, using due care and diligence in fulfilling his or her responsibilities, and exercising the powers attached to that office.
- (k) To devote sufficient time, commitment and attention to discharge their duties and responsibilities fully and effectively as NED.

**3.6 Independent Directors**

- 3.6.1 Independent Directors are essential in protecting the interests of shareholders including the rights of minority shareholders and can make significant contributions to the Bank and the Group by bringing in the quality of detached impartiality.
- 3.6.2 The Board has adopted a definition of independence setting out the interests and relationships to be considered by the Board in assessing the independence of each Director in accordance with Paragraph 1.01 and Practice Note 13 of the MMLR, and the MCCG 2021.
- 3.6.3 The MMLR emphasise that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the appropriate test of whether the said Director is able to exercise independent judgment and act in the best interests of the Bank and Group.

**BOARD CHARTER**

3.6.4 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:-

- (a) has been an executive in the last two (2) years;
- (b) is a substantial shareholder of the Bank or any of its affiliates; or
- (c) has had a \*significant business or other contractual relationship with the Bank or any of its affiliates within the last two (2) years.

\*‘significant business’ or ‘other contractual relationship’ will be defined on a case to case basis.

3.6.5 The independent directors provide independent judgement, experience and objectivity without being subordinated to operational considerations.

3.6.6 The independent directors help to ensure that the interest of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

3.6.7 The views of the independent directors should carry significant weight in the Board’s decision-making process.

3.6.8 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 BNM in writing of its decision to affirm or change his designation.

**3.7 Senior Independent Director**

3.7.1 The Board may appoint a Senior Independent Director (SID).

<b>BOARD CHARTER</b>
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3.7.2 If the Board decides to appoint an SID, the role of the SID may include, but not limited to the following:-

- (a) To act as a sounding board for the Chairman;
- (b) To preside at all meetings of the Board at which the Chairman is not present;
- (c) To act as an intermediary for other directors when necessary; and
- (d) To act as the point of contact for shareholders and other stakeholders.

### **3.8 Criteria and Skill Sets for Board Membership**

3.8.1 The Board collectively should possess adequate knowledge, skills, expertise and experience to understand the Bank's business, comply with prevailing requirements and stage of development and goals of the Bank.

3.8.2 To ensure that the Board has the required mix of skills and experience to discharge its duties, the members of the Board should be from diverse backgrounds, with knowledge and experience in different pertinent disciplines which may include finance, accounting, banking, legal, marketing, business management/administration, information technology, investment management and risk management.

3.8.3 The following are the recommended personal qualities and core competencies required from a director:-

- (a) Integrity, Commitment and Ethics;
  - Behaving honestly in all dealings.
  - Not involved in any form of bribery or corruption.
- (b) Governance;
  - The ability to ensure the Bank performance and conformance.
- (c) Strategic Perspective;
  - The ability to understand the potential impact on the Company's trends, opportunities, issues and events, manage priorities, and develop the optimum response consistent with the strategic capabilities of the business.

<b>BOARD CHARTER</b>
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- (d) Business Acumen;
  - The ability to contribute to the Bank to create significant value.
- (e) Judgement and Decision Making;
  - The ability to identify the principal issues and use experience and sound judgement to make appropriate decisions.
- (f) Teamwork;
  - The ability to interact with fellow Board directors and senior management as well as participates in the activities of the Board.
- (g) Communication; and
  - The ability to express ideas and opinions in a way that ensures the message gets across effectively.
- (h) Leadership.
  - The ability to inspire commitment to the Bank's vision and values.

3.8.4 As a basis, the following "fit and proper" criteria shall be taken into consideration:-

- (a) his/her probity, diligence, competence and soundness of judgement;
- (b) his/her reputation, character, integrity (including financial integrity) and honesty;
- (c) his/her history of office(s) involving fraud/dishonesty/violence;
- (d) whether he/she has been engaged in deceitful/oppressive/ improper business practices or any practices which would discredit him/her;
- (e) whether he/she has been engaged/associated/had conducted himself/herself in a manner which may cast doubt on his/her fitness, competence and soundness of judgement;



<b>BOARD CHARTER</b>
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- (f) whether he/she has contravened any provision made by or under any written law appearing to BNM or other relevant regulatory bodies designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice; and
- (g) whether he/she has been declared a bankrupt.

### **3.9 Board Appointments and Removals**

3.9.1 All appointments of Directors are subject to the approval of BNM which will be for a specific term.

3.9.2 The GBNRC is responsible for assessing the candidate(s)' qualifications and experiences and whether he/she fulfills the minimum requirements as set out in BNM CG, BNM Policy Document on Fit & Proper Criteria and any other relevant laws. The GBNRC thereafter submits its recommendation to the Board for decision on submission of application to BNM for the proposed appointment as new Director.

3.9.3 In identifying candidates for appointment of Directors, the GBNRC does not solely rely on recommendations from existing Board members, management or major shareholders. The GBNRC have the right to utilise independent sources at the cost of the Bank to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

3.9.4 Besides the above, GBNRC may also consider utilising the following sources:-

- (a) Director's registry (e.g. Institute of Corporate Directors Malaysia and NAM Institute for the Empowerment of Women);
- (b) Industry and professional associations;
- (c) Open advertisements; and
- (d) Independent search firm.

**BOARD CHARTER**

- 3.9.5 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new directors are properly executed.
- 3.9.6 Upon the appointment of a new director, the Company Secretary advises the director of his/her principal duties and responsibilities and explains the restrictions to which he or she is subject to in relation to price-sensitive information and dealings in the Bank's securities. Thereafter, all directors are provided with appropriate briefings on the Bank's affairs and up-to-date corporate governance materials published by the relevant bodies.
- 3.9.7 A formalised orientation/induction programme will be held for relevant Heads of Departments/Divisions to brief the new members of the Board on the functions and areas of responsibility of their respective department/divisions.
- 3.9.8 New directors are expected to have such expertise so as to qualify them to make positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Bank.
- 3.9.9 The Bank arranges educational/training programmes to update the Board in relation to new developments which may affect the Board and/or the Bank.
- 3.9.10 A director must fulfil the following minimum requirements at the time of his appointment and on a continuing basis:-
- (a) A director must not be disqualified under section 59(1) of the Financial Services Act 2013.
  - (b) A director must have been assessed by the GBNRC to have complied with the fit and proper requirements.
  - (c) A director must not have competing time commitments that impair his ability to discharge his duties effectively. The directorships held by any Board member at any one time shall not exceed five (5) in listed companies.
  - (d) A director must not be an active politician.

**BOARD CHARTER**

- (e) Where a firm has been appointed as the external auditor of the Bank, 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 the Bank until at least three (3) years after:-
  - (i) he ceases to be an officer or partner of that firm; or
  - (ii) the firm last served as an auditor of the Bank.

3.9.11 Each Director must be assessed against the 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 circumstance that suggests that the director is ineffective, errant or otherwise unsuited to carry out his responsibilities. A director must immediately disclose to the Board any circumstance that may affect his ability to meet the minimum requirements.

3.9.12 The Board must ensure that each Director acknowledges the terms of his appointment, which must include:-

- (a) the roles and responsibilities of the Director, including those arising from his membership in any Board committee;
- (b) the tenure of the appointment; and
- (c) provisions for the Director's removal in the event that he no longer meets the minimum requirements or has been assessed to be ineffective, errant or otherwise unsuited to carry out his responsibilities.

3.9.13 Through the annual review of directors, ineffective Directors can be identified.

3.9.14 Errant/unsuitable Directors can be addressed by GBNRC at its meetings or as and when the GBNRC becomes aware of such circumstances.

3.9.15 The proposed re-appointment of a Director, upon expiry of his/her current term of appointment as approved by BNM, is subject to the approval of BNM.

<b>BOARD CHARTER</b>
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3.9.16 The GBNRC is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM is due to expire. It shall therefore submit its recommendation to the Board for decision on the submission of application to BNM for the re-appointment of the Directors concerned.

3.9.17 Unless the written approval of BNM has been obtained 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.

### **3.10 External Board Appointments**

3.10.1 Any Director, while holding office, may accept other Board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Bank and does not detrimentally affect the Director's performance as a director. When a Director has multiple board representations, he must ensure sufficient time and attention are given to the affairs of the Bank.

#### **3.10.2 Consultation Prior to External Appointments**

The Board values the experience and perspective that the Directors may gain from external appointment with other companies, organisations or associations. However, prior to the acceptance of any relevant external appointments, Directors should first consult with the Chairman of the Board and Chairman of GBNRC on such proposed appointment.

In any event, Directors to observe and ensure that the external commitment do not:-

- (a) cause potential conflict of interest for the Director;
- (b) impair the Director's independence;
- (c) be in competition with the business interest with the Bank or Group;
- (d) have potential reputational consequence to the Bank; and/or
- (e) affect the Directors' time commitment and ability to attend Board/Board Committee meeting(s) as well as discharge their responsibilities to the Bank.

In situation where such external appointment falls under

<b>BOARD CHARTER</b>
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any of the above circumstances, the matter would need to be escalated to GBNRC for deliberation.

3.10.3 To ensure full commitment and sufficient time is given to the affairs of the Bank, a Non-Executive Director (“NED”) of the Bank must not hold more than five (5) directorships in listed and ten (10) directorships in non-listed companies (Pursuant to paragraph 15.06 (1) of the MMLR and Practice 5.5 of MCCG 2021).

### **3.11 Policy on Tenure of Directorship**

3.11.1 Generally, the appointment of Directors and their tenure are subject to the approval by BNM. The Bank, upon due consideration of the Bank’s internal processes and assessment, may apply to BNM for re-appointment of Directors whose tenure is about to expire (at least three (3) months prior to expiry of tenure approved by BNM).

3.11.2 The Bank has adopted the following in relation to the limit of Directorship tenure for all Non-Executive Directors:-

(a) **Tenure of an Independent Director**

The Maximum tenure of service for Independent Directors shall be a cumulative term of nine (9) years within the Affin Group.

After serving for nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain the independent director beyond nine years, the board should provide justification and seek annual shareholders’ approval through a two-tier voting process.

(b) **Age Limit**

The maximum age of Directors shall be seventy-five (75) years old, unless under special circumstances duly justified.

**BOARD CHARTER**

3.11.3 Further to the above, the Bank's Constitution states the following:-

**(a) Retirement by rotation (Article 118 of the Bank's Constitution)**

At every AGM, at least one-third of the Directors who are subject to retirement by rotation or, if their number is not three (3) or a multiple three (3), the number nearest to one-third shall retire from office.

**(b) New Directors/Casual Vacancy (Article 124 of the Bank's Constitution)**

A Director who has been appointed by the Board during the year shall only hold office until conclusion of the next Annual General Meeting of the Bank.

Directors retiring or stepping down under both paragraphs 3.10.3(a) and (b) above shall however be eligible for re-election by the Bank's shareholders at the Bank's Annual General Meeting.

### **3.12 Board Papers and Supply of Information to Board**

3.12.1 The Board has full and timely access to information on Board matters via materials distributed in advance of meetings to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings.

3.12.2 Notice of meetings shall be circulated at least seven (7) days and the agenda for each meeting shall be circulated at least five (5) business days before each meeting to the Directors and all those who are required to attend the meeting. Written materials including information requested by the Board from Management and/ or external consultants shall be received together with the agenda for the meetings.

3.12.3 The Board papers include the minutes of the previous Board meeting, minutes of the Board Committees and reports on related banking aspects such as financials, investment, operational, Information Technology, Human Resource, Risk Management and Audit matters as well as regulatory compliance matters.

**BOARD CHARTER**

3.12.4 All Board members have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary who is responsible for ensuring that the Board meetings' procedures are followed and that all applicable rules and regulations are complied with.

3.12.5 In addition, the Board may seek independent professional advice at the Bank's expense on specific issues to enable the Board to discharge its duties in relation to the matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to approval of:-

- (a) the Chairman where the fee payable is RM50,000.00 and below; and
- (b) the Board where the fee payable exceeds RM50,000.00.

3.12.6 The minutes of meetings accurately reflect the deliberations and decisions of the Board, where appropriate, including any dissenting views and if any director had abstained from voting or deliberating and not to be present during such deliberations on a particular matter.

**4.0 CHAIRMAN AND PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER (PGCEO)**

- 4.1 The Bank aims to ensure balance of power and authority between the Chairman and the PGCEO with a clear division of responsibility between the running of the Board and the Bank's business respectively. The positions of Chairman and the PGCEO are separated and clearly defined.
- 4.2 The Chairman is responsible for leading the Board in its collective oversight of management, while the PGCEO focuses on the business and day-to-day management of the Bank.
- 4.3 The balance of responsibilities between the Chairman and the PGCEO will be regularly reviewed to ensure the division of functions remains appropriate to the needs of the Bank.

**BOARD CHARTER**

4.4 The respective roles of the Chairman and the PGCEO are as follows:-

4.4.1 Chairman

(a) The key role of the Non-Executive Chairman includes the following:-

- (i) The smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- (ii) Guidelines and procedures are in place to govern the Board's operation and conduct;
- (iii) All relevant issues are on agenda for Board meeting and all Directors are able to participate fully in the Board's activities;
- (iv) Board debates strategic and critical issues;
- (v) Board receives the necessary information on a timely basis from the Management;
- (vi) Provides avenues for all Directors to participate openly in the discussion;
- (vii) Provides leadership to the Board so that the board can perform its responsibilities effectively;
- (viii) Responsible for the developmental needs of the Board; and
- (ix) Leading the Board in the adoption and implementation of sound corporate governance practices within the Bank and Group as a whole.

(b) The other responsibilities of the Chairman include:-

- (i) Chairing meetings of the Board in such a manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each Director;



<b>BOARD CHARTER</b>
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- (ii) Chairing meetings of Shareholders;
- (iii) Establishing procedures to govern the Board's work;
- (iv) Ensuring the Board's full discharge of its duties;
- (v) Scheduling meetings of the full Board;
- (vi) Organising and presenting the agenda for regular or special Board meetings based on input from other Directors and the Company Secretary;
- (vii) Ensuring a proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of Management's proposal and review of the performance of the Bank and/or Group;
- (viii) Ensuring adequate lead time for effective study and discussion of business under consideration;
- (ix) Identifying guidelines for the conduct of Directors and ensuring that each Director is making a significant contribution. The Chairman keeps under review the contributions made by the Directors;
- (x) Acting as liaison between the Board and Management. The Chairman should act as the main informal link between the Board and Management and particularly between the Board and the PGCEO;
- (xi) Ensuring that all Directors, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities and the business of the Group;

<b>BOARD CHARTER</b>
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- (xii) Together with the PGCEO, representing the Bank and/or Group to external parties: Shareholders, creditors, consumer groups, local communities, and federal, state, and local governments to ensure effective communication;
- (xiii) In conjunction with the PGCEO, playing a leading role in:-
  - Formulating the Board's strategic direction and planning process;
  - Encouraging high standards of propriety and promoting efficient and effective use of staff and other resources throughout the organisation; and
  - Fostering high corporate ethical standards and positive relationships with the Group's stakeholders.
- (xiv) Working with the GBNRC, actively participating in the selection of Directors and ensuring the membership of the Board is properly balanced;
- (xv) Working with the GBNRC, ensuring proper committee structure, including assignments of members and committee chairmen. The Chairman should also ensure that there is a succession plan for the Board of the Group through nominations by the Directors, evaluation by the GBNRC and approval by the full Board; and
- (xvi) Carrying out other duties as requested by the Board as a whole, depending on need and circumstance.

#### 4.4.2 PGCEO

- (a) The role of PGCEO includes the following:-
  - (i) Developing the strategic direction of the Bank.
  - (ii) Ensuring that the Bank's strategies and corporate policies are effectively implemented.

<b>BOARD CHARTER</b>
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- (iii) Ensuring that Board decisions are implemented, and Board directions are responded to.
  - (iv) Providing directions in the implementation of short and long-term business plans.
  - (v) Providing strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees.
  - (vi) Keeping the Board fully informed of all-important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members.
  - (vii) Ensuring the day-to-day business affairs of the Bank are effectively managed.
- (b) The PGCEO must devote the whole of his professional time to service the Bank unless the Board and BNM approve otherwise in writing. The PGCEO must not hold directorships in more than five (5) entities other than the Bank.

## **5.0 BOARD COMMITTEES**

- 5.1 The Board has established a number of Board Committees whose composition and terms of reference are in accordance with the BNM CG and are consistent with the latest governance principles and practices.
- 5.2 The Board has delegated specific authorities and responsibilities to the Board Committees, which operate under approved terms of reference for the respective Board Committee, primarily to assist the Board in the execution of its duties and responsibilities.
- 5.3 The Board Committees shall report and keep the Board informed of the Board Committee's work and the outcome of their meetings (which should include the key deliberations and decisions) on delegated matters. Certain delegated matters may be submitted to the Board for further deliberation/approval at the Board's level, if required.

<b>BOARD CHARTER</b>
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5.4 The key responsibilities of the Board Committees are as follows:-

(a) **Group Board Nomination and Remuneration Committee (GBNRC)**

The GBNRC is responsible to provide a centralised platform in setting the Group principles, procedures and framework relating to the composition of the Board and Management including their appointment/re-appointment, effectiveness and performance as well as remuneration policy for the Board, Management and the Group as a whole.

(b) **Group Board Audit Committee (GBAC)**

The GBAC is responsible for providing oversight on the adequacy and integrity of the internal control systems and overseeing the work of the internal and external audit function of the Bank, Affin Islamic Bank Berhad (AiBB), Affin Hwang Investment Bank Berhad (AHIB) [collectively refers as Affin Banking entities].

(c) **Group Board Risk Management Committee (GBRMC)**

The GBRMC is responsible to oversee, review, assess and examine the adequacy of Group risk management frameworks covering the policies, procedures and processes and risk reports of the Bank and its subsidiaries, including Affin Banking entities and AXA Affin Life Insurance Berhad (AALI).

(d) **Group Board Compliance Committee (GBCC)**

GBCC is established to assess and examine the adequacy of group compliance and integrity as well as governance framework for Affin Banking entities, Affin Hwang Asset Management Berhad (AHAM), AALI, and Affin Moneybrokers Sdn Bhd (AMB).

(e) **Group Board Credit Review and Recovery Committee (GBCRRC)**

The GBCRRC is established to assist the functions of the Board in respect of its inherent authority over approval on loan/financing application/proposals which are considered by the Group Management Credit Committee.

**BOARD CHARTER****(f) Group Board Information Technology Committee (GBITC)**

GBITC was established to oversee the overall development, risk management, integration and alignment of the Information Technology (IT) strategy and plan with Affin Banking entities strategic business direction and plan.

- 5.5 The Board may set up other relevant Board Committees to assist the Board on any matters as and when required.
- 5.6 The Chairman of the Board must not chair any of the Board Committees except for Affin Chairmen Group Committee (previously known as Affin Oversight Committee), to promote robust and open deliberations by the Board on matters referred by the Board Committees.
- 5.7 The Board Committees' Terms of Reference shall be reviewed as and when necessary.

**6.0 BOARD EVALUATIONS, DEVELOPMENT AND SUCCESSION PLANS**

- 6.1 The Board conducts annual Board's evaluations to objectively assess the performance and effectiveness of the Board as a whole, Board Committees as well as individual Directors. The Board may engage independent experts at least every three (3) years, to facilitate objective and candid board evaluations. This is to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Bank.
- 6.2 The results of the evaluation of individual Directors will be taken into account by the Board in determining its assessment of the Directors to stand for re-election at the next Annual General Meeting and re-appointment of relevant Directors (subject to BNM's approval).
- 6.3 The Board must dedicate sufficient resources toward the on-going development of its directors and have in place development plans for directors and regularly updating such plans to ensure that each director possesses the knowledge and skills necessary to fulfil his responsibilities.

**BOARD CHARTER**

- 6.4 The Board must establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies.

**7.0 CONFLICTS OF INTEREST AND CONFIDENTIALITY**

- 7.1 The directors must conduct their business with the highest level of ethical values. Conflict of interest situation call into question the ability of the person involved in the conflict to act objectively in the best interest of the Bank.

- 7.2 Pursuant to Section 58 of FSA, a Director is required 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 abstain from deliberation or decision and not to be present during such deliberations at the meeting.

- 7.3 For the purpose of Section 58(4) of the FSA:-

- (a) an existing or proposed transaction or arrangement will be considered “material” if it is one which a Director is required to declare under the Companies Act 2016, unless the director or any person linked to him 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
- (b) an interested Director must make the disclosure by way of a written notice to all members of the Board and the Company Secretary:-
  - (i) as soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
  - (ii) if the material transaction or arrangement is being deliberated at a board meeting, before the commencement of that deliberation.

- 7.4 Interested Directors are required to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Bank. An interested Director is required to abstain from deliberations and decisions of the Board on the transactions.

<b>BOARD CHARTER</b>
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- 7.5 Internal Policies and Procedures are in place to address potential conflicts of interest situations with guidance such as Guidelines on Credit Transactions and Exposure with Connected Parties and Related Party Transaction Policies.
- 7.6 Non-compliance will be raised to the GBNRC/Board for appropriate recommendation to the Board for deliberation and decision. Non-compliance must be alerted to the Group Chief Compliance Officer.
- 7.7 Directors shall at all times take all necessary precautions to strictly maintain confidentiality of information shared under their capacity as Director of the Bank.

## 8.0 REMUNERATION

- 8.1 The GBNRC recommends specific remuneration packages for Non-Executive Directors, and is structured such that it is competitive and consistent with the Bank's culture, objectives and strategies as well as ensuring that it commensurate with the level of responsibilities undertaken and contributions made by the Directors to the effective functioning of the Board and drive the Bank's long-term objectives. The remuneration package for the Directors of the Bank comprises the following:-

Directors' Fee	The Directors are entitled to Annual Directors' fees
Board Committees Fees	Directors who sit on Board Committees are entitled to receive Board Committee fees.
Meeting Allowances	Directors are also entitled to Meeting allowances when they attend any Board/ Board Committee meetings.

- 8.2 The Directors' fees and benefits-in-kind payable to Directors are subject to shareholders' approval at the Annual General Meeting.
- 8.3 In determining the level of remuneration for Directors, the Board may commission a survey of the remuneration levels of Directors, to be carried out either by external consultants or Senior Management. The survey should cover the remuneration levels of Directors of an organisation in a similar industry, size and location. The report shall be tabled to the GBNRC and the Board for deliberation.

**BOARD CHARTER**

- 8.4 The Board may from time to time review the Directors' Remuneration package to ensure it continues to support the strategies and long-term vision of the Bank and yet at the same time, is able to attract talent, nurture and retain high calibre Directors, whilst taking into account the interest of other stakeholders, including shareholders and employees.

**9.0 DELEGATION TO SUBSIDIARY BOARDS**

The Bank, as the Apex entity, is responsible to exercise adequate oversight of the Affin Group of companies such that material risk from activities undertaken by affiliates are effectively managed and controlled on a group-wide basis and do not undermine the safety and soundness of the Bank.

However, respective entities' Board must discharge its own legal and governance responsibilities as a separate entity. Accordingly, the Board of respective entities and senior management must validate that the objectives, strategies, plans, governance framework and other policies set at the Group level are fully consistent with the regulatory obligations and the prudential management of its subsidiaries and ensure that entity-specific risks are adequately addressed in the implementation of group-wide policies.

For the purposes of the above, the Bank has set up Affin Group Chairmen Committee (previously known as Affin Group Oversight Committee) consist of Chairmen from Affin Group and chaired by the Chairman of the Bank as the Apex Entity. The Bank has delegated authority to the act on its behalf, to ensure the decisions of the Board, strategic matters, business plans, budgets, daily business and operational issues are carried out, implemented and/or monitored efficiently and effectively by the Management of Affin Group and that the requirements of good corporate governance practices are observed.

**10.0 CORPORATE GOVERNANCE DISCLOSURE**

- 10.1 The Bank should view corporate governance disclosures as an opportunity to demonstrate to stakeholders that they have holistic and effective corporate governance arrangements.



<b>BOARD CHARTER</b>
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10.2 The Bank is required to provide informative disclosure on their application of the MCCG practices as well as information required under Appendix 4 of the BNM CG. Amongst the information to be disclosed are as follows:-

- (a) Composition of the Board of Directors;
- (b) Function and Conduct of the Board of Directors;
- (c) Overview of internal control framework;
- (d) Qualitative and quantitative disclosures of remuneration;
- (e) Meaningful explanation on how it has applied each practices under MCCG 2021 including the following:-
  - explanation for the departure (if any);
  - alternative practice adopted and how the alternative practice achieves the Intended Outcome of MCCG 2021;
  - actions which they have taken or intend to take; and
  - the timeframe required.

10.3 The Board must 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.

## **11.0 FINANCIAL REPORTING**

### **11.1 Transparency**

11.1.1 The Bank aims to present a clear and balanced assessment of the Bank's financial position and future prospects that extend to the interim and price-sensitive information and other relevant reports submitted to regulators.

11.1.2 The directors ensure that the financial statements are prepared so as to give a true and fair view of the current financial status of the Bank in accordance with the approved accounting standards.

11.1.3 The Auditors' Report shall contain a statement from the Auditors explaining their responsibility in forming an independent opinion, based on their audit of the financial statements.

<b>BOARD CHARTER</b>
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## 11.2 External Auditors

11.2.1 The Board has a formal and transparent arrangement for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through GBAC.

11.2.2 The GBAC also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the External Auditors. The Bank ensures that the External Auditors do not supply a substantial volume of non-audit services to the Bank.

11.2.3 Appointment of the External Auditors is subject to approval of the shareholder(s) at general meetings. The External Auditors have to retire during the Annual General Meeting every year and be re-appointed by shareholder(s) for the ensuing year.

## 12.0 INVESTORS RELATIONS AND SHAREHOLDERS COMMUNICATION

12.1 The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Bank and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors.

12.2 The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Bank's performance and operations as well as sustainable opportunities and values.

12.3 The Bank's corporate website provides easy access to shareholders with timely and accurate information regarding the Bank and its activities. The Bank's website provides the following primary information to shareholders:-

- (a) Financial and Corporate Reporting;
- (b) Investor relations;
- (c) Corporate Governance and sustainability practices;
- (d) Media announcements; and
- (e) Corporate information on the Group's structure and business presence.

**BOARD CHARTER**

**13.0 RELATIONSHIP WITH OTHER STAKEHOLDERS**

In the course of pursuing the vision and mission of the Bank, the Board recognises that no Bank can exist by maximising shareholders value alone. In this regard, the needs and interests of other stakeholders are also taken into consideration.

**13.1 Employees**

13.1.1 The Board acknowledges that the employees are invaluable assets of the Bank and play a vital role in achieving the vision and mission of the Bank.

13.1.2 The Bank adopts comprehensive and documented policies and procedures with respect to the following:-

- (a) Occupational safety and health with the objective of providing a safe and healthy working environment for all employees; and
- (b) Industrial relations with the objective of managing employees' welfare and well-being in the work place.

**13.2 Environment**

13.2.1 The Board acknowledges the need to safeguard and minimise the impact to the environment in the course of achieving the Bank's vision and mission.

13.2.2 The Bank supports initiatives on environmental issues.

**13.3 Social Responsibilities**

13.3.1 The Board acknowledges that the Bank should play a vital role in contributing towards the welfare of the community in which it operates.

13.3.2 The Bank supports charitable causes and initiatives on community development projects.

**BOARD CHARTER**

**14.0 APPLICATION**

14.1 The principles set out in this Board Charter are:-

- (a) kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities;
- (b) applied in practice having regard to their spirit and general principles rather than to the latter alone; and
- (c) summarised in the Annual Report/audited financial statements as part of a narrative statement by the Directors on Corporate Governance.

14.2 The Board endeavours to comply at all times with the principles and practices set out in this Board Charter.

**15.0 REVIEW OF BOARD CHARTER**

15.1 The Board Charter shall be reviewed periodically, especially when there are changes to the regulatory requirements or at least once every three (3) years.

15.2 In this Board Charter, any reference to any provision of legislations, guidelines, circulars or directives shall include all amendments, modifications, consolidations or replacements as may be issued from time to time.

15.3 Any updates to the principles and practices set out in this Board Charter shall be made available on the Bank's website.

**- END OF BOARD CHARTER -**