



中國銀行 马来西亚

BANK OF CHINA (MALAYSIA) BERHAD 200001008645(511251-V)

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# BANK OF CHINA (MALAYSIA) BERHAD

## BOARD OF DIRECTORS CHARTER


**Document Change History**

Version	Conducted By	Approved By	Date	Description of Changes
1	Board of Directors	Board	9 Dec 2016	Adopted by the Board
2	Board of Directors	Board	24 Feb 2017	<ul style="list-style-type: none"> <li>• Change of the name of Board Audit Committee</li> <li>• Combination of Board Remuneration and Nomination Committee</li> </ul>
3	Board of Directors	Board	23 Oct 2017	<ul style="list-style-type: none"> <li>• Change of composition of Board Risk Mgmt Committee</li> <li>• Addition on the objective of Board Remuneration and Nomination Committee</li> <li>• Change of the number of Independent Director requirement in Board</li> <li>• Change of tenure of directors</li> </ul>
4	Board of Directors	Board	25 April 2018	<ul style="list-style-type: none"> <li>• Revise the Board Size in accordance with the Constitution.</li> </ul>
5	Board of Directors	Board	25 Oct 2018	<ul style="list-style-type: none"> <li>• Review and refinement to the Terms of Reference in accordance with the BNM Policy Document on Corporate Governance and Constitution of the Bank.</li> </ul>



Version	Conducted By	Approved By	Date	Description of Changes
6	Board of Directors	Board	30 Oct 2019	<ul style="list-style-type: none"> <li>Annual Review of the Terms of Reference.</li> </ul>
7	Board of Directors	Board	24 July 2020	<ul style="list-style-type: none"> <li>Review and revised mainly to incorporate requirements of the BNM's policy document on Risk Management in Technology.</li> </ul>
8	Board of Directors	Board	26 Oct 2021	<ul style="list-style-type: none"> <li>Revised in accordance with annual review.</li> </ul>
9	Board of Directors	Board	27 Oct 2022	<ul style="list-style-type: none"> <li>Revised in accordance with annual review.</li> </ul>
10	Board of Directors	Board	24 July 2023	<ul style="list-style-type: none"> <li>Reviewed</li> </ul>



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## CHARTER OF THE BOARD OF DIRECTORS

### 1.0 Objective

The purpose of this Board of Directors Charter (“Board Charter”) is to promote the highest standards of Corporate Governance within Bank of China (Malaysia) Berhad (“the Bank”) and to outlines among others, the roles, responsibilities and authorities of the Board of Directors (“the Board”) in setting the direction, management and control of the Bank.

The Board Charter is subject to review by the Board from time to time, to ensure its relevance and effectiveness.

### 2.0 Board Terms of Reference

The Board has in place a Terms of Reference, which acts as guidance to the Board in discharging their duties effectively. The Terms of Reference highlights the guiding principles and matters relating to Board organization, duties and responsibilities and relevant internal policies and procedures, including those mentioned in this Board Charter.

### 3.0 Board Committees

The Board may establish board committees/sub-committee as required by laws and regulations or if deemed necessary, in assisting the Board in discharging their duties and responsibilities. The Board has established the following Board Committees:-

1. Board Audit Committee
2. Board Risk Management Committee
3. Board Remuneration and Nomination Committee
4. Board Information Technology Sub-Committee

The Board delegated certain functions of the Board to Board Committees, which comprise members of the Board and operate within clearly defined responsibilities as defined in terms of reference of each Committee primarily to assist the Board in the execution of its duties and responsibilities. While these Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by these Committees will be brought to the attention of the Board.

### **3.1 Board Audit Committee**

The primary responsible of Board Audit Committee are to assist the Board with the oversight of: the integrity of the Bank's financial statements; the financial reporting process; the systems of internal controls; the performance of the Bank's internal audit function and internal auditors; the appointment of external auditors and the evaluation of the external auditors' qualifications, independence and performance; the periodic review, where appropriate, and annual audit of the Bank and its subsidiaries' ("the Group") financial statements; compliance with applicable accounting standards and legal and regulatory requirements on financial disclosures; and enhancing the corporate governance framework of the Group.

The composition shall comprise at least three (3) members and all are non-executive Directors. The majority of the members shall also be independent, including the Chairman of the Board Audit Committee.

### **3.2 Board Risk Management Committee**

The key responsibility of the Board Risk Management Committee is to support the Board in meeting the expectations on risk management as set out in Bank Negara Malaysia (“BNM”) policy document on Risk Governance and any relevant legal instruments, policy documents and guidelines issued by BNM. The Committee assists the Board in overseeing the establishment of a robust risk management system and effective framework to identify, monitor, control and report risk. Also responsible in the formulating and reviewing the risk appetite framework and limit, assess the adequacy of risk related policies, providing effective oversight of senior management’s action, review and approve new products and ensure compliance with the prevailing guidelines issued by BNM. The Committee shall assist the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration and Nomination Committee.

The Board Risk Management Committee, as designated by the Board, shall be responsible for supporting the Board in providing oversight over technology and cybersecurity related matters, and other responsibilities as stipulated in the BNM policy document on Risk Management in Technology. Among other things, review the technology-related frameworks for the Board’s approval, and ensure that risk assessments undertaken in relation to material technology applications are robust and comprehensive.

The Board Risk Management Committee shall comprise only non-executive directors with at least three (3) members and chaired by an independent director.





### 3.3 Board Remuneration and Nomination Committee

The objective of the Board Remuneration and Nomination Committee (“the Committee”) is to:

- Support the Board in overseeing the design and operation of the remuneration system of the Bank. Provide a formal and transparent procedure for developing remuneration policy for Directors, Chief Executive Officer (“CEO”), other members of senior management<sup>1</sup>, control function heads<sup>2</sup> and other material risk takers<sup>3</sup> to ensure that remuneration is competitive and consistent with the business objectives, risk strategies, corporate values and long-term interests of the Bank.
- Support the Board in carrying out its functions of the appointment and removal of directors and senior management. Provide a formal and transparent procedure for the appointment and removal of directors, senior management and company secretary as well as assessment of effectiveness of individual directors, Board as a whole and performance of senior management.

The Board Remuneration and Nomination Committee shall consist of a minimum of three (3) members, of non-executive directors and chaired by an independent director.

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<sup>1</sup> other members of senior management at CEO office and Chief Risk Officer

<sup>2</sup> which include Chief Compliance Officer and Chief Internal Auditor

<sup>3</sup> individual identified based on criteria set out in the Risk Taker Policy

## **4.0 Board Composition**

The composition of the Board shall be of a size that promotes effective deliberation, encourage the active participation of all directors and allow the work of the various Board Committees to be discharged efficiently. Other significant factors which have been taken into account in determining the Board's composition are as follows:

### **4.1 Board Size**

According to the Bank's Constitution, the Board of Directors shall have the power to determine its size and may from time to time, subject to the provision of the Companies Act 2016, increase or reduce the number of Directors.

### **4.2 The Chairman**

The Chairman of the Board must not be an executive, and must not have served as CEO of the financial institution in the past five (5) years.

### **4.3 Independent Director**

The Board must have a majority of Independent Directors at all times.

### **4.4 Executive Director**

The Board must not have more than one (1) executive director and preferably it should be the CEO, unless under exceptional circumstances where BNM may allow, up to a maximum of two (2) executive directors.



#### **4.5 Professional Advisor**

The directors may appoint independent professional advisor to the Board or other Board Committees who could provide advisory or consultation service at the expense of the Bank.

### **5.0 Board Process**

#### **5.1 Frequency of Meeting**

The Board shall meet regularly during a year (regular meetings) and as and when necessary (ad hoc meetings). The frequency of Board meetings is determined by the Board. In general, there shall be at least five regular meetings in a year.

#### **5.2 Quorum**

The quorum necessary for the transaction of the business of the Directors shall be 50% of members and a meeting of the directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorised and discretion by or under the Bank's Constitution.

#### **5.3 Attendance**

Individual directors are expected to contribute actively to the function of the Board and to allocate adequate time and effort to discharge his duties effectively. Individual directors must attend at least 75% of the Board meetings held in each financial year.



Attendance of directors at a Board meeting, by way of other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

#### **5.4 Meeting Materials**

At least five (5) days before each Board meeting, the members of the Board are each provided with comprehensive reports and information to enable them to discharge their duties.

#### **5.5 Meeting Minutes**

Company Secretary shall ensure that clear and accurate minutes of Board's meeting are maintained to record the decisions and proceedings of all meetings of the Boards, and indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.

### **6.0 Duties and Responsibilities of the Board of Directors**

#### **6.1 Strategy and Planning**

Set and oversee the implementation of business and risk objectives and strategies and in doing so shall have regard to long-term viability of the Bank and reasonable standards of fair dealing.



## **6.2 Risk Management and Internal Controls**

- 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.
- Assess and manage risk-taking activities to align with the Bank's capacity to absorb losses and long-term business viability.
- Ensure requirements in BNM policy documents on Risk Governance <BNM/RH/GL 013-5> and Risk Management in Technology <BNM/RH/PD 028-98> are at all times observed.

## **6.3 Disclosure of Information**

Ensure reliable and transparent financial reporting process within the Bank. The Board is responsible to ensure the integrity and credibility of financial statement of the Bank.

## **6.4 Management and Compliance**

Ensure that the operations of the Bank are conducted prudently, and within the framework of the relevant laws and policies.

## **6.5 Monitoring and Delegation of Authorities to Various Committees**

Establish and ensure the effective functioning of various Board Committees. Committee members are selected on their merits, expertise, and interests. Duties may be delegated to the Board Committees; however, the Board remains responsible for the decisions of the committees. The Board shall be timely and regularly informed of each committee's activities, findings, conclusion and recommendations. The Board shall review reports submitted by various committees, and provide guidance, when necessary.



## **6.6 Supervision over Performance of the Management**

Oversee the selection, performance, remuneration and succession plans of the 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 Bank.

## **6.7 Communications with Shareholders / Stakeholders**

Manage the Bank's business in accordance with the rules stipulated in the Constitution, relevant laws and regulations. Maintain an effective communication policy that enables both the Board and Management to communicate effectively with its shareholders, the stakeholders and the public either through disclosure or annual general meeting ("AGM"). Promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.

## **6.8 Environmental, Social and Governance**

Promote sustainability through appropriate environmental, social and governance guidelines and policies in the Bank's business strategies.

## **7.0 Roles of Board Members**

### **7.1 Role of Chairman**

The key role of the Chairman is to ensure, amongst others:

- Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;



- Guidelines and procedures are in place to govern the Board's operation and conduct;
- All relevant issues are on agenda for Board meeting and all directors are able to participate fully in the Board's activities;
- Board debates strategic and critical issues;
- Board receives the necessary information on a timely basis from the Management;
- Avenues are provided for all directors to participate openly in the discussion; and
- That he provides leadership to the Board and responsible for the developmental needs of the Board.

## **7.2 Role of Executive Director/ CEO**

The key role of the CEO, amongst others, includes:

- Developing the strategic direction and ensuring that the Bank's strategies and corporate policies are effectively implemented;
- Ensuring that board decisions are implemented and board directions are responded to;
- Providing strong leadership and directions in the implementation of short and long term business plans;
- Keeping Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members;
- Ensuring the day-to-day business affairs of the Bank are effectively managed;
- Ensuring compliance with laws, regulations and social responsibilities;



- Managing the relationship with the major investors, customers, suppliers, governmental organizations, media etc., in order to promoting the image of the Bank's and its products; and
- The CEO has moral and professional obligations to devote his attention and principally to the day-to-day operations of the Bank.

### **7.3 Role of Non-Independent Executive Director/ Non-Independent Non-Executive Directors**

The role of the Non-Executive Directors, amongst others, includes:

- Review and monitor the performance of the Bank, achievement of its objective and targets, including objectively questioning the Management on matters other than the information submitted by the Management; and
- Attending the AGM, fully understand the suggestions and comments given by the shareholders.

### **7.4 Role of Independent Non-Executive Directors**

The key role of the Independent Directors, amongst others, includes:

- To provide and enhance the necessary independence and objectivity to the Board;
- To ensure effective checks and balances on the Board;
- To mitigate any possible conflict of interest between the policy-making process and day-to-day management of the Bank;
- To constructively challenge and contribute to the development of business strategy and direction of the Bank; and
- To ensure that adequate systems and controls to safeguard the interests of the Bank are in place.



## **8.0 Ensuring Efficiency**

The directorship that can be held by directors (other than CEO) is limited to 25 to ensure that full commitment and sufficient time is given to the affairs of the Bank.

### **8.1 Terms of Appointment**

In accordance with the Bank's Constitution, one-third (1/3) of the directors shall retire from office at each AGM and they can offer themselves for re-election.

### **8.2 Tenure of Directors**

The tenure limits for Independent Directors should generally not exceed nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

### **8.3 Board Evaluation**

An annual performance assessment will be carried out based on the specific criteria set (refer to Addendum of the Board Remuneration and Nomination Committee terms of reference) to evaluate the performance of the Board as a whole, individual directors and Board Committees.

### **8.4 Director's Training**

The Bank will develop in-house orientation and education programmes for its newly appointed directors to familiarize them with the industry and the Bank within three (3) months of the appointment. The programmes shall cover at a minimum the nature of business, the corporate strategy of the Bank, responsibilities and duties of the Board as a whole, an overview of the risks of



the businesses, the risk management strategy of the Bank, legal requirements and financial overview of the Bank.

The Bank will monitor and ensure that all directors receive continuous education and training in order to keep abreast with latest developments in the industry, particularly on relevant new laws, regulations, technology development and the changing risk factors (includes cybersecurity) from time to time.

## 9.0 Company Secretary

The Board shall be supported by a suitably qualified and competent licensed Company Secretary, who shall at minimum meet the requirements of the Companies Act, 2016. The appointment and removal of the Company Secretary must be approved by the Board.

The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provides counsel to the Board on governance matters and facilitates effective information flows between the Board, the Board Committees and Senior Management. All Board members have unlimited access to the professional and services of the Company Secretary. The Company Secretary shall attend all Board meetings and are responsible for the accuracy and adequacy of record of proceedings of the Board.

The Company Secretary must not have competing time commitments that may impair his/her ability to discharge his/her duties effectively. Unless BNM approves otherwise in writing, the Company Secretary of the Bank must devote the whole of his/her professional time to the affairs of the Bank. This does not preclude the Company Secretary from carrying out other responsibilities for the Bank or its affiliates, where these responsibilities do not conflict with his/her responsibilities to the Board.