



SMALL MEDIUM ENTERPRISE DEVELOPMENT BANK MALAYSIA BERHAD (49572-H)

BOARD CHARTER

**DULY REVISED AND APPROVED BY THE BOARD OF DIRECTORS OF SME BANK AT ITS
MEETING HELD ON 31 JANUARY 2023**

Version 2.0 (2023)

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ABBREVIATION

AGM	Annual General Meeting
BNM	Bank Negara Malaysia
BNM CG	BNM Policy Document on Corporate Governance 2019
BNM SG	BNM Policy Document Shariah Governance 2019
CA 2016	Companies Act 2016
CG	Corporate Governance
CS	Company Secretary
DFIA	Development Financial Institution 2002
FIDE	Financial Institutions Directors' Education
GP/CEO	Group President/Chief Executive Officer
MOF	Minister of Finance (Incorporated)
AL	Authority Limit
PD	Policy Document
SAC	Shariah Advisory Council of BNM
SC	Shariah Committee
SME Bank	Small Medium Enterprise Development Bank Malaysia Berhad
TOR	Terms of Reference

DEFINITIONS

Board	Board of Directors of SME Bank
Key Responsible Persons	Refer to persons that are accountable or responsible for the management or oversight of SME Bank. These comprise Directors, members of Shariah Committee, GP/CEO and senior officers.
Management	EXCO members and Heads of Division
Policy	Policy/Guidelines related to SME Bank
Shareholders	Minister of Finance (Incorporated) and Federal Lands Commissioner (Incorporated)
The Bank	SME Bank
Supervisory Ministry	Ministry of Entrepreneur Development and Cooperatives

PART 1: INTRODUCTION

1.1 Overview

- (i) This Board Charter sets out the requirements of the Board of Directors (“Board”) of SME Bank as at the date hereof.
- (ii) The purpose of the Board Charter is to promote the highest standards of Corporate Governance within SME Bank and to clearly set out the role, composition and responsibilities of the Board of SME Bank. The Board Charter serves not only as a reminder of the Board’s roles and responsibilities but also as a general statement of intent and expectation as to how the Board discharges its duties and responsibilities:
 - (a) The Board is the focal point of SME Bank’s Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of SME Bank.
 - (b) All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
 - (c) All Board members are responsible to SME Bank for achieving a high level of good governance.
 - (d) This Board Charter shall constitute and form an integral part of each Director’s duties and responsibilities.
- (iii) The Board may from time to time review the contents of this Board Charter in tandem with any relevant legal instruments, policy documents and guidelines which SME Bank refer to ensure its relevance and effectiveness in taking into account changes in the economy and financial system.

1.2 Objectives

The objectives of this Board Charter are to ensure that all Board members acting on behalf of SME 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 SME Bank.

1.3 Approach

This policy should be read together with any relevant legal instruments, policy documents and guidelines as follows:-

- (i) Development Financial Institution Act 2002 (“DFIA 2002”);
- (ii) Companies Act 2016;
- (iii) BNM Policy Document (“PD”) on Corporate Governance (“CG”) dated 13 December 2019;
- (iv) BNM PD on Shariah Governance (“SG”) dated 20 September 2019;
- (v) BNM PD on Risk Management in Technology (“RMiT”) dated 19 June 2020;
- (vi) BNM PD on Outsourcing dated 23 October 2019;
- (vii) BNM PD on Fit and Proper;
- (viii) BNM PD on Financing Facilities with Connected Party;
- (ix) BNM Guidelines on Best Practices for the Management of Credit Risk for Development Financial Institutions;
- (x) BNM PD on Management Customer Information Permitted Disclosure (“MCIPD”) dated 12 October 2021
- (xi) Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan);
- (xii) SME Bank’s Group Secretarial Department’s Policy and Procedures;
- (xiii) Memorandum and Articles of Association / Constitution of SME Bank;
- (xiv) SME Bank’s Policy on Fit and Proper Criteria of Key Responsible Persons;
- (xv) SME Bank’s Whistle Blowing Policy;
- (xvi) SME Bank’s Gift and Entertainment Policy;
- (xvii) SME Bank Shariah Governance Policy;
- (xviii) SME Bank’s Framework and Operational Guidelines on Financing Facilities with Connected Parties;
- (xix) Malaysian Anti-Corruption Commission Act 2009; and
- (xx) Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018).

That this is a live update document. Hence, from time to time, any new or changes made to the above relevant legal instruments, policy documents and guidelines shall be read together and guided, accordingly.

PART 2: ROLES AND RESPONSIBILITIES OF THE BOARD

(A)	<u>The Board</u>	<i>Reference</i>
Roles and Responsibilities	<p>This Board Charter was established as part of the Board key responsibilities under the BNM PD on CG as follows:</p> <p>The Board must have a Board Charter that sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including matters reserved for the Board's decision.</p> <p>The Board acknowledges and shall uphold SME Bank's mandate for the nurturing and development of SMEs.</p>	<i>BNM CG (8.2) on the Board's Key Responsibilities</i>
	<p>1. The Board responsibilities outlined in this Board Charter should be read together with Section 5 of DFIA 2002, Paragraph 8 of BNM PD on CG, Paragraph 8 of BNM PD on SG and SME Bank's Board TOR.</p>	<i>BNM CG (8.1) on the Board's Key Responsibilities</i>
	<p>2. The Board shall ensure that strategies pursued by SME Bank are consistent with its constituents documents and any specifications made by BNM pursuant to subsection 28(1) DFIA 2002, and that SME Bank has the capacity and capability to manage such strategies</p>	<i>Sec 5(2)(a) DFIA 2002</i>
	<p>3. The Board shall set and oversee the implementation of business and risk objectives and strategies, and in doing so, shall have regard to the long term viability of SME Bank and reasonable standards of fair dealing.</p>	<i>Sec 5(2)(b) DFIA 2002</i>
	<p>4. The Board shall ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with nature, scale and complexity of the business and structure of SME Bank.</p>	<i>Sec 5(2)(c) DFIA 2002</i>

		Reference
	5. The Board shall ensure that there is a reliable and transparent financial reporting process within SME Bank.	<i>Sec 5(2)(e) DFIA 2002</i>
	6. The Board shall promote timely and effective communications between SME Bank and BNM on matters affecting or that may affect the safety and soundness of SME Bank.	<i>Sec 5(2)(f) DFIA 2002</i>
	7. The Board shall have regard to the interest of the customers and depositors of SME Bank.	<i>Sec 5(3) DFIA 2002</i>
	8. The Board has overall responsibility for promoting the sustainable growth and financial soundness of SME Bank in fulfilling its mandate, 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 SME Bank, its shareholders, its customers, depositors, members, officers and the general public.	<i>BNM CG (8.3) on the Board's Key Responsibilities</i>
	9. The Board must regularly review and affirm SME Bank's mandate, taking into account changes in the economy and financial system. Where relevant, the Board shall make recommendations to the Government in consultation with BNM, for a review of its mandate.	<i>BNM CG (8.3 (a)) on the Board's Key Responsibilities</i>
	10. The Board must approve the risk appetite, business plans and other initiatives which would singularly or cumulatively, have a material impact on the DFI's risk profile and continuing ability to support its mandate. This would include initiatives which affect the financial soundness, reputation or key operational controls of SME Bank.	<i>BNM CG (8.3 (b)) on the Board's Key Responsibilities</i>

		Reference
	<p>11. The Board must oversee the selection, performance, remuneration upon appointment, succession plans and consequence management process affecting the GP/CEO and Key Responsible Persons of SME Bank, such that the Board is satisfied with the collective competence of Key Responsible Persons of SME Bank to effectively lead and manage the business operations and affairs of SME Bank.</p> <p>The Board must also oversee the performance of Key Responsible Persons of SME Bank and other officers entrusted to implement Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives.</p>	<p><i>BNM CG (8.3 (c)) on the Board's Key Responsibilities</i></p> <p><i>Sec 5(2)(d) DFIA 2002</i></p> <p><i>BNM SG (8.1 (d)) on the Board's Key Responsibilities</i></p>
	<p>12. The Board must oversee the governance arrangement, which should promote transparency and accountability in the management and decision making processes within SME Bank, and ensure that the GP/CEO effectively implements the governance arrangement across all functions of SME Bank.</p>	<p><i>BNM CG (8.3 (d)) on the Board's Key Responsibilities</i></p>
	<p>13. The Board must oversee the implementation of SME Bank's internal control framework including to prevent Shariah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance. To also periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of SME Bank's operations.</p>	<p><i>BNM CG (8.3 (e)) & BNM SG (8.1 (c)) on the Board's Key Responsibilities</i></p>
	<p>14. The Board must oversee the development and effective implementation of a performance measurement framework for SME Bank that is aligned with its mandate.</p>	<p><i>BNM CG (8.3 (f)) on the Board's Key Responsibilities</i></p>

		Reference
	<p>15. The Board must promote, together with Key Responsible Persons of SME Bank, a sound corporate culture within SME Bank which reinforces ethical, prudent and professional behaviour. This shall include ensuring that Key Responsible Persons of SME Bank:</p> <p>(i) Establishes, implements and monitors policies and procedures that prevent activities and relationships that are inconsistent with sound governance;</p> <p>(ii) Effectively address conflicts of interest situations, strictly prohibit corrupt practices and ensure arm's length dealings with connected parties and other interested entities; and</p> <p>(iii) Promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah.</p>	<p><i>BNM CG (8.3 (g)) on the Board's Key Responsibilities</i></p> <p><i>BNM PD on Financing Facilities with Connected Parties (8.1 (d))</i></p> <p><i>BNM SG (8.1 (e)) on the Board's Key Responsibilities</i></p>
	<p>16. The Board must promote sustainability through appropriate environmental, social and governance considerations in SME Bank's business strategies.</p>	<p><i>BNM CG (8.3 (h)) on the Board's Key Responsibilities</i></p>
	<p>17. The Board must oversee and approve the business continuity plan for SME Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.</p>	<p><i>BNM CG (8.3 (i)) on the Board's Key Responsibilities</i></p>
	<p>18. The Board must promote through appropriate communication policies and practices, timely and effective communication between SME Bank, BNM and supervisory ministries on matters affecting or that may affect the safety, soundness and mandate of SME Bank.</p>	<p><i>BNM CG (8.3 (j)) on the Board's Key Responsibilities</i></p> <p><i>Board's TOR</i></p>

		Reference
	19. The Board must act in the best interest of SME Bank, free from any undue external influence which could undermine SME Bank's approve mandate and financial soundness.	<i>BNM CG (8.3 (k)) on the Board's Key Responsibilities</i>
	20. The Board must establish appropriate arrangements to ensure that it has access to all relevant information, advice and resources necessary to enable it to carry out its role effectively, which may include obtaining advice from third party experts in accordance with section 9.8 of BNM CG. As part of these arrangement, the Board must ensure that significant issues and developments are brought before the Board for its information and consideration.	<i>BNM CG (8.5) on the Board's Key Responsibilities</i>
	21. Approve the technology risk appetite which is aligned with the Bank's risk appetite statement.	<i>BNM PD RMiT (8.1) on Responsibilities of the Board</i>
	22. The board must approve the corresponding risk tolerances for technology-related events and ensure key performance indicators and forward-looking risk indicators are in place to monitor the financial institution's technology risk against its approved risk tolerance	<i>BNM PD RMiT (8.1) on Responsibilities of the Board</i>
	23. The Board must ensure and oversee the adequacy of the Bank's IT and cybersecurity strategic plans covering a period of no less than three (3) years.	<i>BNM PD on RMiT (8.2) on Responsibilities of the Board</i>
	24. Provide oversight over the governance of outsourcing arrangements.	<i>BNM Outsourcing (8.3) on Responsibilities of the Board and Senior Management</i>

		Reference
	<p>25. The Board's responsibility includes the responsibility to promote Shariah compliance in accordance with expectations set out in BNM SG and ensure its effective integration with SME Bank's business and risk strategies.</p> <p>A director must continuously develop and strengthen his knowledge and understanding on Islamic Finance, as well as keep abreast with developments that may impact Islamic financial business, to fulfil his responsibility to SME Bank.</p> <p>The Board has clearly defined its relationship with Shariah Committee. The Board agreed that while the Shariah Committee has distinct responsibilities in relation to Shariah matters, the Board remains responsible for the direction and control of SME Bank's business and risk strategies.</p>	<p><i>BNM CG (8.4) on the Board's Key Responsibilities</i></p> <p><i>BNM SG (8.2) on Interaction with Shariah Committee</i></p> <p><i>BNM CG (8.4) on the Board's Key Responsibilities</i></p>
	<p>26. The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of SME Bank. In fulfilling this role, the Board must:</p> <p>(i) Approve policies relating to governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance within SME Bank.</p> <p>(ii) Oversee the implementation of Shariah Advisory Council (SAC) rulings and decisions or advice of the Shariah Committee within all business and functional lines, including any business or risk implications arising from such implementation.</p>	<p><i>BNM CG (8.4) & BNM SG (8.1) on the Board's Key Responsibilities</i></p>
	<p>27. Provide oversight for establishing Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) policies and minimum standards.</p>	<p><i>Board's TOR</i></p>

		Reference
	28. Adopt and follow sound policies and objectives which have been fully deliberated.	<i>Board's TOR</i>
	29. Review, approve and provide feedback on corporate Key Performance Indicators ("KPI") and targets.	<i>Board's TOR</i>
	30. Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the traditional function of financial audit as well as the function of management audit.	<i>Board's TOR</i>
	31. Ensure that SME Bank has a beneficial influence on the economic well-being of its community.	<i>Board's TOR</i>
	32. Establish procedure to avoid self-serving practices and conflicts of interest including dealings of any form with related entities and avoid self-serving practices and conflicts of interest.	<i>Board's TOR</i>
	33. Operational: (i) Exercise veto power to concur (with or without amendments to the Terms and Conditions) of Credits which have been approved by the prevailing approving authority as prescribed by SME Bank's Credit Underwriting Policy.	<i>Board's TOR</i>
	(ii) Approve 'policy financing' and financing which are required by statute to be approved by the Board, provided that the initial filter of approval is conducted by the prevailing AL of SME Bank	<i>Board's TOR</i>

		Reference
	(iii) Monitor, supervise and approve writing-off of Non-Performing accounts and overall risk management of SME Bank	<i>Board's TOR</i>
	(iv) Review, challenge and decide on Management's proposals for SME Bank, and monitor its implementation by Management	<i>Board's TOR</i>
	(v) Consider risk that may arise due to Shariah non-compliance which includes financial and non-financial implications	<i>Board's TOR</i>
	(vi) In the case of a financing facility transaction to a connected party, an approval from the Board of Directors is required. For the approval to be granted, it requires "not less than three quarters (3/4) of all the Board members present", and such approval is duly recorded in the minutes of meeting	<i>BNM PD on Financing Facilities with Connected Parties (8.1 (d))</i> <i>Board's TOR</i>
	(vii) Delegate any of its powers to Board Committees or to any one Member of the Board as it deems fit and to ensure that the powers so delegated are exercised in conformity to any prescribed regulations that may from time to time be imposed by the Board i.e. the Board Audit Committee, Board Nomination and Compensation Committee, Board Financing and Investment Committee and Board Risk Management Committee.	<i>Board's TOR</i>
	34. Finance: (i) Approve annual budget, revised budget and audited financial statements of SME Bank.	<i>Board's TOR</i>

		Reference
	(ii) Oversee the financial performance of the Bank and ensuring that the Bank maintains proper accounting and other records and registers in conformity with approved accounting and financial reporting standards applicable to SME Bank	<i>Board's TOR</i>
	(iii) Review quarterly results, discuss material variances and ensure that corrective actions are taken	<i>Board's TOR</i>
	(iv) Appoint authorized signatories for cheque signatories, promissory notes, drafts, bills of exchange and other negotiable instruments	<i>Board's TOR</i>
	(v) Approve and monitor investments in and advances to subsidiaries	<i>Board's TOR</i>
	(vi) Approve and monitor domestic and external borrowings of SME Bank	<i>Board's TOR</i>
	(vii) Approve acquisition and disposal of fixed assets of SME Bank.	<i>Board's TOR</i>
	35. IT Matters: (i) Provide strategic directions with regard to IT management and ensure the IT strategic plan supports SME Bank's strategic business plan and, where necessary, the group IT strategic plan. Also responsible to approve and monitor the performance of major IT initiatives and plans;	<i>Board's TOR</i>
	(ii) Review and approve SME Bank's key IT policies to ensure the effectiveness of internal control systems and the reliability of the management information systems;	<i>Board's TOR</i>

		Reference
	(iii) Ensure SME Bank's Key Responsible Persons has adopted prudent and effective policies and procedures to identify, measure, monitor and control/mitigate IT risks;	<i>Board's TOR</i>
	(iv) Ensure the establishment of key performance indicators and service level agreements in measuring the performance of IT services delivered or received by SME Bank;	<i>Board's TOR</i>
	(v) Review periodic management reports and, where necessary recommend appropriate strategic solutions on key IT weaknesses discovered;	<i>Board's TOR</i>
	(vi) Appraise compliance with established IT policies and procedures, and guidelines and circulars issued by Bank Negara Malaysia;	<i>Board's TOR</i>
	(vii) Monitor the measures taken to correct weaknesses noted in the internal and external IT audit reports or Bank Negara Malaysia's examination reports; and	<i>Board's TOR</i>
	(viii) Review and approve budget proposal for any capital or non-capital IT expenditure.	<i>Board's TOR</i>
	36. The board must oversee the implementation and maintenance of the policies and procedures, including reviewing reports relating to the management of customer information from senior management. The board must be satisfied that the policies, procedures and controls are adequate and effective in safeguarding customer information.	<i>BNM MCIPD (8.3)</i>

		Reference
	<p>37. Other than the above, the Board shall also carry out the roles and responsibilities as outlined in the Companies Act 2016, relevant Bank Negara Malaysia Guidelines, Development Financial Institutions Act 2002 (“DFIA”), Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan), SME Bank’s Memorandum and Articles of Association/Constitution and other relevant statute/ guidelines/ policy/ policy documents/ memo issued by the Government of Malaysia/ Ministry of Finance/ Governing Authorities/ regulators/ shareholders/ supervisory ministries/ stakeholders/ SME Bank as may be revised and applicable from time to time.</p>	<i>Board’s TOR</i>
	<u>The Chairman</u>	
	<p>The Chairman represents the Board to the shareholders; is responsible for ensuring the effectiveness and integrity of the workings of the Board and for the relationship between the Board and GP/CEO. In performing this role, the Chairman is responsible for:</p> <ol style="list-style-type: none"> 1. Leading the Board in setting the values and standards of SME Bank working with Directors to create constructive relations of trust. 2. Promoting the highest standards of corporate governance, probity and integrity. 3. Ensuring a clear structure for the smooth running of the Board. 4. Ensuring the provision of accurate, timely and clear information to help Directors make informed decisions. 5. Taking the lead in identifying and meeting the development needs of Directors. 6. Building an effective Board with the right mix of skills, working with the Board Nomination and Compensation Committee. 	<i>FIDE Good Governance Handbook – Role of the Chair</i>

		Reference
	<u>Independent Director</u>	
	<p>The responsibilities of an Independent Director includes, amongst others the following:</p> <ol style="list-style-type: none"> 1. To provide and enhance the necessary independence and objectivity to the Board. 2. To ensure effective checks and balances on the Board. 3. To mitigate any possible conflicts of interest between the policy-making process and the day-to-day management of SME Bank. 4. To constructively challenge and contribute to the development and business strategy and direction of SME Bank. 5. To ensure the adequate systems and controls to safeguard the interests of SME Bank are in place. 	<i>BNM/RH/GL 005-14 (2.30)</i>
	<u>Non-Independent and Non-Executive Director</u>	
	<p>A Non-Independent and Non-Executive Director representing the interests of a supervisory Ministry on the Board of SME Bank shall have the same duties and responsibilities as other Board members, to act in the best interest of SME Bank, with due regard to the interest of customers and depositors, in line with its approved mandate. In the event of any conflict between his duty to act in the best interest of SME Bank and his duty to the supervisory Ministry which he is representing, his duty to SME Bank will prevail.</p>	<p><i>BNM CG (8.6) on the Board's Key Responsibilities</i></p> <p><i>MKD Guidelines for Directors on Roles, Duties and Responsibilities of the Board</i></p>
(B)		
Matters Reserved for the Board	<ol style="list-style-type: none"> 1. Strategic/business plans, annual budget and risk appetites of SME Bank. 	<i>Board's TOR</i>
	<ol style="list-style-type: none"> 2. Changes relating to the Group's capital structure and set-up of new subsidiaries. 	<i>Board's TOR</i>

		Reference
	3. Approval of the annual report and accounts.	<i>Board's TOR</i>
	4. Board membership and changes to the structure, size and composition of the Board, following recommendations from the Board Nomination and Compensation Committee.	<i>Board's TOR</i>
	5. Establishing Board Committees and approving their Terms of Reference, and approving material changes thereto.	<i>Board's TOR</i>
	6. Identifying and managing the principal risks affecting SME Bank.	<i>Board's TOR</i>
	7. Reviewing the adequacy and integrity of the internal control system in SME Bank.	<i>Board's TOR</i>
	8. Overseeing the conduct and performance of SME Bank's business and operations.	<i>Board's TOR</i>
	9. Approving the appointment of and reviewing succession planning for the Key Responsible Persons of SME Bank.	<i>Board's TOR</i>
	10. Approving overall compensation, rewards and benefits strategy for the Bank; following recommendations from the Board Nomination and Compensation Committee.	<i>Board's TOR</i>
	11. Approving outcomes of consequence management processes involving Key Responsible Persons; following recommendations from the Board Nomination and Compensation Committee.	<i>Board's TOR</i>
	12. Deciding policy governing matters relating to Board meetings such as the frequency, notice, purpose, conduct, duration and reporting; and the setting of agendas.	<i>Board's TOR</i>

		Reference
	<p>13. To ensure that the corporate governance disclosures are accurate, clear and presented in a manner that is easily understood by the shareholders, customers and other relevant stakeholders.</p>	<p><i>BNM CG (22.2) on Transparency – Corporate Governance Disclosures</i></p>
	<p>14. To maintain adequate oversight of the overall Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) measures undertaken and be fully committed in establishing an effective internal control system, including but not limited to the following:</p> <ul style="list-style-type: none"> (i) To ensure that the required AML/CFT measures are in place. (ii) To set minimum standards and approve the AML/CFT policies, procedures and controls. (iii) To designate Compliance officers at Key Responsible Persons level with sufficient authority. (iv) To regularly review and assess the measures adopted and implemented for AML/CFT. (v) To ensure regular independent audit of the internal AML/CFT measures to determine their effectiveness and compliance with AMLATFA. (vi) To ensure that proper training programs on AML/CFT practices and measures for the Board and its employees are sufficiently and appropriately conducted. 	<p><i>Anti-Money Laundering and Counter Financing of Terrorism Policies and Procedures</i></p>

		Reference
	<p>15. Risk Management</p> <p>The Board is responsible in identifying principal risks and ensures the implementation of appropriate systems to manage these risks. This includes reviewing and approving policies and processes to identify business risks, to determine the risks acceptable to SME Bank and ensuring that systems and controls are in place to manage them. In addition, the Board should ensure that SME Bank is adequately capitalised to support the risks undertaken and to meet regulatory requirements.</p>	<p><i>FIDE Good Governance Handbook on Role of the Board</i></p>
	<p>16. Fit and Proper</p> <p>To ensure that Chairman, Directors, Member of Shariah Committee, GP/CEO and Key Responsible Persons of SME Bank comply with Section 6A of DFIA Act set out in the First Schedule and the 'fit & proper' criteria at all times.</p> <p>Only Chairman, Directors, Member of Shariah Committee and GP/CEO is submitted to BNM for verification.</p>	<p><i>BNM PD on Fit and Proper</i></p>
	<p>17. The Board shall oversee and ensure an effective process for identifying and assigning responsibility areas to individuals, as part of internal governance arrangements that promote sound management and decision making. This includes ensuring all responsibility areas are clearly identified and mapped into the organisational structure.</p>	<p><i>Principle 1: BNM ED on Responsibility Mapping</i></p>
	<p>18. Approving Policy Financing and Connected Party Financing.</p>	<p><i>BNM Guidelines on Best Practices for the Management of Credit Risk for DFIs</i></p>
	<p>19. Approving any other matters as required by statutes and regulators.</p>	<p><i>Section 211 CA 2016</i></p>

		Reference
(C)		
Interaction with Shariah Committee	<p>1. The Board must have due regard to any decisions or advice of the Shariah Committee on any Shariah issues relating to the operations, business, affairs or activities of SME Bank. In order to ensure that the Board comply to the duties, the Board must:</p> <ul style="list-style-type: none"> (i) give sufficient attention to the facts, rationale and basis for any decisions or advice of the Shariah Committee before arriving at its own decision; (ii) give fair consideration to the implications of implementing any decisions or advice of the Shariah Committee; (iii) Put in place conflict resolution mechanism to deal with any differences in views between the Board and the Shariah Committee; and (iv) Maintain a record of deliberations between the Board and the Shariah Committee in matters where the differences in views exist, and its resolution. <p>In ensuring that the Board's direction/ decision(s) cover Shariah aspects, the Board shall invite a member of Shariah Committee, as nominated by the Shariah Committee, to present on shariah matter as and when required, in which the Board may:</p> <ul style="list-style-type: none"> (i) Seek any clarification from the Shariah Committee member. (ii) Request for any matters to be deliberated or further deliberated in the Shariah Committee meeting. 	<p><i>BNM SG (9.1) on Interaction with the Shariah Committee</i></p> <p><i>SME Bank Shariah Charter (7.0) on Conflict Resolution Mechanism</i></p>

		Reference
	2. The Board must take reasonable steps to ensure that the Shariah Committee is free from any undue influences that may hamper the Shariah Committee from exercising its professional objectivity and independence in deliberating issues brought before them.	<i>BNM SG (9.2) on Interaction with the Shariah Committee</i>
	3. The Board must establish a written policy to identify, assess and manage any conflicts of interest arising from any additional activities or services performed by the Shariah Committee member for the Bank, or his other external professional commitments. This shall include policies relating to the involvement of a Shariah Committee member in the provision of consultancy services to any clients of the Bank, with or without remuneration.	<i>BNM SG (9.3) on Interaction with the Shariah Committee</i>
	4. The Board must allocate sufficient resources for continuous development of skills and expertise of the Shariah Committee. This shall include allocating adequate budget, having in place development plans for Shariah Committee members and regularly updating such plans to ensure that each member possesses the requisite knowledge and skills to fulfil his responsibilities.	<i>BNM SG (9.5) on Interaction with the Shariah Committee</i>
	5. The Board must establish a formal process to assess, at minimum annually, performance and effectiveness of the Shariah Committee and every Shariah Committee member. The assessment must consider the competence, knowledge and contribution of each Shariah Committee member to the overall functioning of the Shariah Committee.	<i>BNM SG (9.6) on Interaction with the Shariah Committee</i>
	6. The Board must approve a remuneration policy that is commensurate with the accountabilities, duties and responsibilities of the Shariah Committee.	<i>BNM SG (9.7) on Interaction with the Shariah Committee</i>

		Reference
	<p>7. The Board must establish and regularly review succession plans for the Shariah committee members. Such process must involve assessment of candidates against the minimum requirement to be a qualified Shariah committee as prescribed in the Shariah Committee charter.</p>	<i>BNM SG (12.11) on Interaction with the Shariah Committee</i>
	<p>8. To further promote effective communication with Shariah committee:</p> <p>(i) Engagement session between the Board and Shariah Committee members on all matters relating to Shariah Requirements, Shariah Governance or Shariah Non-Compliance Risk in enabling both parties to effectively discharge respective responsibilities under the Shariah Governance Framework will be held at least once a year.</p> <p>(ii) Decision/ matters discussed in the Shariah Committee will be circulated to the Board.</p>	<i>BNM SG (9.4) on Interaction with the Shariah Committee</i>
	<p>9. In the event that the Board delegates any of its responsibilities to the Shariah Committee, the Board must:</p> <p>(i) Ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the Board and the Shariah Committee's charter/ policies governing SC's duties and responsibilities.</p> <p>(ii) Establish reporting arrangements to be kept informed of the Shariah Committee's work, key deliberations and decisions on delegated matters.</p> <p>(iii) Remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.</p>	<i>BNM SG (9.8) on Interaction with the Shariah Committee</i>

		Reference
(D)		
Directors Declaration	<p><u>Declaration of Connected Party Transaction</u></p> <p>SME Bank shall not grant any financing facility to any corporation in the shares of which any of SME Banks' members, directors or officers has any interest which, in aggregate, is in excess of 50%. Directors shall declare annually any connected party transactions for themselves and other close relatives.</p>	<p>Section 28(3A) DFIA 2002</p> <p>SME Bank's Framework and Operational Guidelines on Financing Facilities with Connected Parties</p>
	<p><u>Declaration of Directorship other than SME Bank</u></p> <p>Directors are required to declare his/ her directorship other than SME Bank at the beginning of January of each year of service.</p>	<p>Terms and Conditions of Services of the Chairman and the Board of Directors</p>
	<p><u>Declaration of Assets</u></p> <p>Directors shall declare their assets upon acceptance of the appointment as a Director and the beginning of each year of service.</p>	<p>Terms and Conditions of Services of the Chairman and the Board of Directors</p>
	<p><u>Fit and Proper</u></p> <p>The fit and proper assessment on each Director shall be conducted prior to his/ her initial appointments/ re-appointment as well as at regular intervals of at least once a year.</p>	<p>BNM PD on Fit and Proper Criteria</p> <p>SME Bank's Policy on Fit and Proper Criteria</p>
(E)		
Conflict of Interest	<p>1. Pursuant to Section 11 of the DFIA imposes a legal obligation on a Director to disclose to the Board the nature and extent of his interest in a material transaction or material arrangement, and, if such material transaction or material arrangement is being deliberated during a board meeting, to be absent/ abstain from the meeting during such deliberations.</p>	<p>BNM CG (14.1(a)) and (14.2) on Conflicts of Interest</p>

		Reference
	<p>For the purpose of Section 11 of the DFIA, an existing or proposed transaction or arrangement will be considered “material” if it is one which a Director is required to declare under section 221 of the Companies Act 2016 or in its specific establishment act/ legislation, whichever is the lower threshold, 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.</p>	<i>BNM CG (14.3) on Conflicts of Interest</i>
	<p>To address Director’s conflict of interest i.e. actual and potential, Director must make the disclosure by way of a written notice to all members of the Board and the CS:</p> <p>(a) as soon as practicable after being aware or the relevant facts have come into his knowledge of his interest in the material transaction or arrangement; and</p> <p>(b) if the material transaction or arrangement is being deliberated at a board meeting, before the commencement of that deliberation.</p>	<i>BNM CG (14.1(b)) and (14.3) on Conflicts of Interest</i>
	<p>2. The secretary of the company shall record every declaration on the conflict on interest made by the Director in the minutes of meeting</p>	<i>BNM CG (14.1(c)) on Conflicts of Interest</i>
	<p>3. In the event of non-compliance, Group Secretarial will submit the report to Regulatory Compliance Department</p>	<i>BNM CG (14.1(d)) on Conflicts of Interest</i>
	<p>4. Members including the invitees are unconditionally obligated not to give, produce, divulge, reveal, publish or disclose any information to any person relating to the affairs of the Bank which he/she has acquired in the performance of any function or duties as a Director/ staff of the Bank.</p>	<i>TOR of Board (9.2)</i>

		Reference
	5. The Board must establish a written policy to identify, assess and manage any conflicts of interest arising from any additional activities or services performed by the Shariah Committee member for the Bank, or his other external professional commitments. This shall include policies relating to the involvement of a Shariah Committee member in the provision of consultancy services to any clients of SME Bank, with or without remuneration.	<i>BNM SG (9.3) on Interaction with Shariah Committee</i>
	6. All financing facilities with connected party shall be subject to the approval by the Board. For the approving of connected party transactions, the deliberation and recommendation to the Board are required and must be approved by not less than three quarters (3/4) of all the board members present.	<i>SME Bank's Framework and Operational Guidelines on Financing Facilities with Connected Parties</i> <i>Board's TOR</i>
	7. For avoidance of doubt, should there be a conflict of interest arising involving a Government Representative, the Government Representative is still bound to comply with the disclosure provisions under the DFIA 2002 and the CA 2016.	<i>DFIA 2002, CA 2016 & BNM CG (8.6) on Key responsibilities of the Board</i>

PART 3: BOARD COMPOSITION

		<i>Reference</i>
(A)		
Composition and Board Balance	The composition of the Board and Board Committee reflects 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.	<i>BNM CG (11.1) on Composition of the Board</i>
	<p>1. The Board shall comprise at least four (4) Directors but not more than eleven (11) Directors of natural persons* unless otherwise determined by a General Meeting.</p> <p>*A natural person is defined as a resident or non-resident in Malaysia or whether a Malaysian citizen or non-citizen.</p>	<p><i>The Bank's Memorandum and Articles of Association [Article 90(1) altered in 2004]</i></p> <p>CA 2016 (s135 (1a))</p>
	<p>2. At minimum, three (3) of the Directors must have finance related (Excluding Executive Directors) or accounting experience. A Board member who is qualified in finance related disciplines should have acquired a minimum of five (5) years working experience at a senior management level in the discipline of banking, insurance, takaful or investment.</p>	<i>BNM CG (11.3) on Composition of the Board</i>
	<p>3. The Board must develop, document and regularly review the criteria and skill sets required of its members, both individually and collectively. The criteria and skill sets must reflect the fit and proper requirements and specific market or business knowledge required on the board. This should include a consideration of experience and knowledge in development finance on the Board. It is important that the criteria and skill sets be reviewed regularly by the Board to encourage diversity and ensure alignment with the mandate, strategic direction and emerging challenges faced</p>	<i>BNM CG (11.2) on Composition of the Board</i>

		<i>Reference</i>
	by SME Bank. The Board must also take into account supervisory concerns highlighted by BNM that require specific expertise on the Board.	
	4. The Chairman of the Board shall not be an executive, and must not have served as GP/CEO of SME Bank in the past five (5) years.	<i>BNM CG (11.4) on Composition of the Board</i>
	5. The Board must not have more than one (1) Executive Director on the Board to promote effective independent oversight by the Board.	<i>BNM CG (11.5) on Composition of the Board</i>
	6. The Board must have a majority of Independent Directors at all times.	<i>BNM CG (11.6) on Composition of the Board</i>
	7. 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.	<i>BNM CG (11.7) on Composition of the Board</i>
	8. An individual must not be considered to be an Independent Director if he or any person linked to him: <ul style="list-style-type: none"> (i) Has been an executive in SME Bank in the last two (2) years; (ii) Is a substantial shareholder of SME Bank or any of its affiliates; (iii) Is a representative of the Stakeholder Ministry of SME Bank; or (iv) Has had a significant business or other contractual relationship with SME Bank or any of its affiliates within the last two (2) years. 	<i>BNM CG (11.7) on Composition of the Board</i>

		<i>Reference</i>
	<p>9. For the purpose of item 8 (iv) above, the Board defines “significant business” as any contractual relationship between the Bank and an individual or any person linked to him which exceeds a threshold of RM1.0 million.</p> <p>The Board also defines “other contractual relationship” as any contract whether financing or non-financing in nature between the Bank and an individual or any person linked to him.</p>	<i>BNM CG (11.8) on Composition of the Board</i>
	<p>10. To promote independent oversight by the Board, the maximum tenure limit for Independent Directors have been regarded by the Board as six (6) years. Any extension beyond the stipulated maximum term requires the approval of MOF.</p> <p>BNM limits the term not exceeding 9 years, except under exceptional circumstances as determined by the Board.</p>	<p><i>Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan Diperbadankan item 3.4.</i></p> <p><i>BNM CG (11.9) on Composition of the Board</i></p>
	<p>11. An Independent Director must immediately disclose to the Board any change in his circumstances that may affect his status as an Independent Director.</p> <p>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.</p>	<i>BNM CG (11.10) on Composition of the Board</i>
	<p>12. The Profiles of Board members are included in the website and Annual Report SME Bank.</p>	<i>www.smebank.com.my</i>

		<i>Reference</i>
	13. The Board encourages effective participation of Independent Directors as to enhance accountability in the Board's decision-making process.	<i>BNM CG (9.1) on Board meetings.</i>
	14. The views of the Independent Directors should carry significant weight in the Board's decision-making process.	<i>Market Practice</i>
	15. If, on any matter discussed at a Board meeting, any Director holds views contrary to those of any of the other Directors, the Board minutes will clearly reflect this.	<i>BNM CG (9.7) on Board meetings.</i>
(B)		
Directorships in other Companies	<p><u>Directors</u></p> <p>The Board shall determine the appropriate limit for directorships that can be held by Directors. Directors (except for representative from shareholders/ supervisory ministries) are allowed to sit on the boards of not more than five (5) listed companies and in non-listed companies to ten (10) as to ensure that their commitment, resources and time are more focused to enable them to discharge their duties effectively.</p>	<i>BNM CG (10.3) on Board Appointments and Removals</i>
(C)		
Balance of Power and Authority between the Chairman and GP/CEO	The Bank aims to ensure an appropriate balance of roles, responsibility, authority and accountability between the Chairman and the GP/CEO with a clear division of responsibility between the running of the Board and the Bank's operations respectively. The positions of Chairman (i.e. Non-Executive Chairman) and GP/CEO are separated and clearly defined.	<i>Malaysian Code on Corporate Governance Principle A (Board Leadership and Effectiveness)</i>

PART 4: BOARD APPOINTMENT/ RE-APPOINTMENT/ REMOVAL

		<i>Reference</i>
(A)		
Appointment, Reappointment and Re-election	1. A Director must fulfil the requirements set out in paragraphs 10.2 and 10.5 of BNM CG at the time of his appointment and on a continuing basis during his tenure of appointment.	<i>BNM CG (10.1) on Board Appointments and Removals</i>
	2. The appointment or re-appointment of Directors and GP/CEO is based on merit guided by the criteria outlined in SME Bank's Policy on Fit and Proper for Key Responsible Persons, as duly assessed by the Board Nomination and Compensation Committee ("BNCC"). SME Bank's Policy and Procedures on Appointment/ Reappointment of Directors shall be read in conjunction with this Board Charter.	<i>BNM CG (10.2) on Board Appointments and Removals</i>
	3. A Director must not have competing time commitments that impair his ability to discharge his duties effectively.	<i>BNM CG (10.3) on Board Appointments and Removals</i>
	4. A Director must not be an active politician.	<i>BNM CG (10.4) on Board Appointments and Removals</i>
	5. A Director must not be appointed from officers or partners of SME Bank's external auditors until at least two (2) years after: <ul style="list-style-type: none"> (i) He ceases to be an officer or partner of that audit firm; and (ii) The firm last served as an auditor of SME Bank. 	<i>BNM CG (10.5) on Board Appointments and Removals</i>

		<i>Reference</i>
	6. Board member(s) shall be appointed by the Board, upon recommendation of the BNCC of the Bank pursuant to a nomination from MOF. However, nominations could also come from the Board itself but subject to further concurrence of MOF. All appointments shall be subject to BNM's verification.	<i>TOR of Board</i>
	7. Appointments to the Board shall be subject to the approval of MOF and verification by BNM.	<i>Section 6(2) DFIA 2002</i>
	8. The Board must establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies.	<i>BNM CG (10.6) on Board Appointments and Removals</i>
	9. The Board must establish a rigorous process for the appointment, re-appointment and removal of Directors. Such a process must involve the assessment of candidates against the requirements set out in the paragraphs 10.2 to 10.5 of BNM CG and SME Bank's Policy and Procedures on Appointment/ Reappointment of Directors. Direct engagements between a candidate and BNCC shall also be conducted to ascertain the suitability of each candidate for the Board.	<i>BNM CG (10.7) on Board Appointments and Removals</i> <i>SME Bank's Policy and Procedures on Appointment/ Reappointment of Directors</i>
	10. Each Director must be assessed against the requirements set out in paragraphs 10.2 to 10.5 of BNM CG, the fit and proper requirements, and the disqualification factors under section 7 of DFIA 2002, 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.	<i>BNM CG (10.8) on Board Appointments and Removals</i>

		<i>Reference</i>
	<p>11. Should the Board decide to remove a Director before the expiration of Director's normal term, due to the disqualification under Section 198 of CA 2016 and Section 7 of DFIA 2002, or for any other reason, the Chairman of the Board or Chairman of BNCC will notify the said Director of the Board's decision.</p>	<p><i>Section 206 CA 2016</i></p>
	<p>12. A Director must immediately disclose to the Board any circumstance that may affect his ability to meet the requirements sets out in the BNM CG.</p>	<p><i>BNM CG (10.9) on Board Appointments and Removals</i></p>
	<p>13. The Board must ensure that each Director acknowledges the terms of his appointment or re-appointment, which must include:</p> <ul style="list-style-type: none"> (i) the roles and responsibilities of the Director, including those arising from his membership in any Board Committee; (ii) the tenure of the appointment or re-appointment; (iii) provisions for the Director's termination if he becomes disqualified by virtue of section 7(1) of the DFIA; and (iv) provisions for the Director's removal if: <ul style="list-style-type: none"> (a) he no longer meets the requirements set out in paragraphs 10.2 to 10.5 of BNM CG, or the fit and proper requirements; or (b) has been assessed to be ineffective, errant or otherwise unsuited to carry out his responsibilities. 	<p><i>BNM CG (10.10) on Board Appointments and Removals</i></p>

		<i>Reference</i>
	<p>14. Unless the written approval of the Minister has been obtained:</p> <p>(i) SME Bank must not publicly announce the proposed appointment or re-appointment of a Director; and</p> <p>(ii) a Director whose tenure has expired and is being proposed for re-appointment must immediately cease to hold office and act in such capacity, including by participating in Board meetings or holding himself out as a Director.</p>	<i>BNM CG (10.12) on Board Appointments and Removals</i>
	<p>15. SME Bank must comply with the application procedures set out in Appendix 2 of BNM CG for the verification of a Director.</p>	<i>BNM CG (10.13) on Board Appointments and Removals</i>
	<p>16. SME Bank must notify BNM before the removal or resignation of an Independent Director. The notification shall include reasons for the removal or resignation of such Director including where relevant, details of specific circumstances leading to the removal or resignation. The removal or resignation of the Independent Director shall not take effect unless BNM has communicated to SME Bank that it has no objection to the removal/ resignation.</p>	<i>BNM CG (10.14) on Board Appointments and Removals</i>
	<p>17. Except where the removal, termination or resignation of an Independent Director is made pursuant to section 8 of the DFIA and notwithstanding paragraph 10.14 of BNM CG:</p> <p>(a) SME Bank shall not remove or terminate an Independent Director from his office; and</p> <p>(b) an Independent Director shall not resign from his office, if, by such removal, termination or resignation, the Independent Directors cease to be a majority of the Board as required under paragraph 11.6 of BNM CG.</p>	<i>BNM CG (10.15) on Board Appointments and Removals</i>

		<i>Reference</i>
	18. All Directors are subject to re-election by the Shareholders at their first opportunity after their appointment, and are subject to re-election in accordance with the Bank's Memorandum and Articles of Association/Constitution.	<i>Memorandum and Articles of Association / Constitution of SME Bank</i>

PART 5: BOARD/ BOARD COMMITTEE MEETING

		<i>Reference</i>
(A)		
Board Meeting	1. A Director must devote sufficient time to prepare for and attend Board meetings, and maintain a sound understanding of the business of SME Bank as well as relevant market and regulatory developments. This must include a commitment to on-going education.	<i>BNM CG (9.2) on Board Meetings</i>
	2. A Directors must attend at least 75% of Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his/her behalf such as an Alternate Director.	<i>BNM CG (9.3) on Board Meetings</i>
	3. Attendance at the Board meeting by way of other than physical presence, remains the exception rather than the norm and is subject to appropriate safeguard to preserve the confidentiality of deliberations.	<i>BNM CG (9.4) on Board Meetings</i>
	4. Quorum of the Board meetings shall a minimum of five (5) members with majority of Independent Directors.	<i>BNM CG (9.5) on Board Meetings</i> <i>Board's TOR</i>
	5. The number and frequency of Board meetings should be commensurate with the size and the complexity of operations. In this regard, SME Bank has adopted a Board meeting frequency of at least six (6) times per year.	<i>BNM CG (9.6) on Board Meetings</i>

		<i>Reference</i>
	<p>6. The Board must ensure that clear and accurate minutes of Board meetings are maintained to record the decisions of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.</p>	<i>BNM CG (9.7) on Board Meetings</i>
	<p>7. The Board will have access to the advice from third party experts on any matter deliberated by the Board as and when required, and the costs of such advice shall be borne by SME Bank.</p>	<i>BNM CG (9.8) on Board Meetings</i>
(B)		
Chairman Roles in the Board Meeting	<p>The Chairman leading the Board is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman is responsible for, amongst others:</p> <ol style="list-style-type: none"> 1. The smooth functioning of the Board, the governance structure and inculcating positive culture in the Board. 2. Ensuring that appropriate guidelines and procedures are in place to govern the Board's operation and conduct; 3. Ensuring all relevant issues are on agenda for Board meeting and all Directors are able to participate fully in the Board's activities. 4. Ensuring that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis; 5. Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; 6. Lead efforts to address the Board's developmental needs; and 	<i>BNM CG (9.1) on Board Meetings</i>

		<i>Reference</i>
	7. The smooth functioning of the Board, the governance structure and inculcating positive culture in the Board	
(C)		
Board Committees	1. The Board delegates certain of its governance responsibilities to various Board Committees to focus effectively on issues and ensure speedy resolution of the diverse matters. These Board Committees will be governed by their own set of TORs as approved by the Board.	<i>BNM CG (12.1) on Board Committees</i>
	2. The Board appoints the following Board Committees with specific terms of reference: <p>(i) Board Financing and Investment Committee;</p> <p>(ii) Board Audit Committee;</p> <p>(iii) Board Nomination and Compensation Committee; and</p> <p>(iv) Board Risk Management Committee.</p> <p>The respective Terms of Reference of the relevant Board Committees are attached as Appendices A, B, C and D.</p>	<i>BNM CG (12.1) on Board Committees</i>
	3. Chairman of each Board Committees shall highlight the issues and provide the reason for decision arising from the respective Board Committees meeting to the Board.	<i>TOR of Board (8.2)</i>
	4. To promote open and robust deliberations by the Board on matters referred by the Board Committees, the Chairman of the Board must not chair any of the Board Committees.	<i>BNM CG (12.4) on Board Committees</i>
	5. Individual Directors must attend more than 75% of Board Committee meetings (that he/she is a member) as to ensure that all roles, duties and responsibilities of the Board are fully discharged.	<i>MKD Guidelines for Directors on Roles, Duties and Responsibilities of the Board</i>

		<i>Reference</i>
	6. The Board may establish additional Board Committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.	<i>BNM CG (12.1) on Board Committees</i>
	7. Each Board Committee must: <ul style="list-style-type: none"> (i) have at least three (3) directors; (ii) have a majority of Independent Directors; (iii) be chaired by an Independent Director; and (iv) comprise of Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee. 	<i>BNM CG (12.3) on Board Committees</i>
	8. Board Committees must not have any Executive Director in its membership (except for Board Nomination Committee). A combined Board Nomination and Remuneration Committee must not have any Executive Director in its membership.	<i>BNM CG (12.5) on Board Committees</i>
	9. The Board shall remain fully accountable for any authority delegated to the Board Committees.	<i>BNM CG (12.7) on Board Committees</i>
	10. SME Bank must provide the board committees with sufficient support and resources required to investigate any matter within their mandates.	<i>BNM CG (12.9) on Board Committees</i>
(D)		
Directors' Circular Resolution	1. In the interim period between meetings, if need arises, matters shall be resolved by way of Directors' Circular Resolutions ("DCR").	<i>Article 123 of SME Bank's Articles of Association</i>

		<i>Reference</i>
	2. The Chairman of the meeting or any person acting in his/ her capacity should decide whether the approval for a particular business should be obtained by means of DCR.	<i>Group Secretarial Department's Policy and Procedures</i>
	3. A DCR in writing, signed or assented to by all Directors shall be valid and effectual as if it had been passed at the meeting of the Directors or of a committee of the Directors. The DCR are to be kept by the Company Secretary. The written resolutions shall be circulated and accompanied with a duly completed Board paper: (i) If hardcopy, sent to a director personally; or (ii) If in electronic form, transmitted to the electronic address provided by the Bank for such purpose.	<i>Article 123 of SME Bank's Articles of Association</i> <i>Section 300 of the Companies Act 2016</i>
(E)		
Supply of Information	1. The Management is responsible for providing the Board with the information in an appropriate and timely manner. The Chairman, assisted by the CS assesses the type of information required to be provided to the Board.	<i>Item 2.71-2.73 of BNM/RH/GL 005-14</i>
	2. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.	<i>Item 2.71-2.73 of BNM/RH/GL 005-14</i>
	3. A full agenda and comprehensive Board papers are circulated to all Directors at least five (5) working days before meeting.	<i>TOR of Board</i>

		<i>Reference</i>
	4. Full Board minutes of each Board meeting are kept by the CS at the Registered Office and are available for inspection by any Director during office hours.	<i>Section 342 Companies Act 2016</i>

PART 6: BOARD CULTURE & CONTINUING PROCESSES

		<i>Reference</i>
(A)		
Ethical Standards	Board members are expected to observe the highest standards of ethical behaviour and fair dealings in relation to customers, employees and regulators in the communities within which SME Bank operates and ensure compliance with all applicable laws, rules and regulations to which SME Bank is bound to observe in the performance of its duties.	
	<p>1. <u>Code of Conduct and Ethics for Directors</u></p> <p>A Director shall at all times act with utmost good faith towards the Bank and act honestly and responsibly in discharging his duties. In the performance of his duties, he is expected to be always conscious of the moral, ethical and legal responsibilities that he bears as a Director to preserve and enhance the Bank's good reputation. He should adopt an objective and positive attitude and give the utmost co-operation for the common good when dealing with governing authorities or regulatory bodies.</p>	<i>BNM CG (18.2) on Culture and Remuneration</i>
	<p>2. <u>Whistleblowing Policy</u></p> <p>The Board has endorsed a Whistle Blowing Policy to provide avenue for all employees of the Bank (whether permanent, contract, temporary or trainee), Directors, Shareholders, Customers, Consultants, Vendors, Contractors, agencies or any parties with a business relationship with the Bank to disclose any unethical conduct or malpractice in accordance with the</p>	<i>BNM CG (18.5) on Culture and Remuneration & SME Bank's Whistle Blowing Policy</i>

		<i>Reference</i>
	<p>procedures as provided under the policy and to provide protection for employees and members of the related parties who report such allegations. Whistleblower who makes a disclosure shall be protected against any form of retaliation or reprisal.</p> <p>SME Bank's Whistle Blowing Policy shall be read in conjunction with this Board Charter.</p>	
	<p>3. <u>Gift and Entertainment Policy</u></p> <p>Subject to only certain exceptions, in general, Directors and employees are prohibited from, directly or indirectly receiving or providing gift(s) from customer and any other external parties for the employees' personal benefit or for the benefit of others related to Directors or employees. Any gift(s) received from the external parties shall be respectfully declined by informing and creating awareness of SME Bank's Policy to the external parties.</p> <p>Under SME Bank's Gift and Entertainment Policy, employee/ Directors are allowed to accept gift of not more than RM100.00. Above that amount up to RM500.00, declaration is required.</p> <p>SME Bank's Gift and Entertainment Policy shall be read in conjunction with this Board Charter.</p>	<i>SME Bank's Gift and Entertainment Policy</i>
	<p>4. <u>Entertainment Policy</u></p> <p>Directors and employees must clearly understand SME Bank's approach and that all business transactions are impartial and objective, without any external influence.</p> <p>SME Bank's Gift and Entertainment Policy sets out the parameters for Directors and employees when receiving or providing entertainments and shall be read in conjunction with this Board Charter.</p>	<i>SME Bank's Gift and Entertainment Policy</i>

		<i>Reference</i>
(B)		
Maintaining Confidentiality	<p>1. Members of the Board including the invitees are unconditionally obligated not to give, produce, divulge, reveal, publish or disclose any information to any person relating to the affairs of the Bank which he/she has acquired in the performance of any function or duties as a Director/ staff of the Bank.</p>	<i>TOR of Board (9.2)</i>
	<p>2. No person, who has access to any document or information relating to the affairs or account of any customer of the Bank, including:</p> <p>(a) The Bank; or</p> <p>(b) Any person who is or has been Director, officer or agent of the Bank.</p> <p>shall disclose to another person any document or information relating to the affairs or account of any customer of the Bank.</p>	<i>Section 119(3) of DFIA 2002</i>
(C)		
Training Requirements	<p>The Board is responsible for further enhancing the skills and knowledge of its members including Shariah Committee members on relevant new laws, regulations, changing commercial risks, cybersecurity and technology development as well as to keep abreast with developments in the financial services industry.</p> <p>Through structured training guidelines, Directors shall:</p> <p>(i) Within two (2) weeks of his/her appointment or before his/her first official presence in the Board or Board Committees meeting, the newly-appointed Directors is to attend an in-house induction program/session subject to his/her availability (no later than three (3) months from the date of his/her appointment). The Director will be briefed by the Management and he/she will be provided with the Bank's respective documents/materials on the Bank's history,</p>	<p><i>BNM CG (13.4) on Board Evaluations and Development</i></p> <p><i>BNM SG (9.5) on Interaction of the Board with the Shariah Committee</i></p> <p><i>BNM PD on RMIT</i></p> <p><i>MKD Guidelines for Directors on Roles, Duties and Responsibilities of the Board</i></p> <p><i>Current Practice</i></p>

		<i>Reference</i>
	<p>operations and financial performance to enable them to have first-hand understanding of the Bank's operations.</p> <p>(ii) All newly appointed directors are required to attend the following Directors' Mandatory Training programmes:</p> <p>(a) Financial Institutions Directors' Education ("FIDE") core programme to be completed within one (1) year from the date of appointment;</p> <p>(b) Basic Course or Onboarding Program to be completed within six (6) months from the date of appointment; and</p> <p>(c) Islamic Finance for Board Programme to be completed within two years of the appointment.</p> <p>(iii) Directors are recommended to attend courses that will enhance their skills in leadership, trade finance and project finance. However, as and when required, the Board of Directors may suggest other courses for the Directors in order to keep them abreast with the latest development in the industry.</p> <p>(iv) The Board shall allocate sufficient resources for continuous development of skills and expertise of its Directors and Shariah Committee. This shall include allocating adequate budget, having in place development plans for Directors and Shariah Committee and regularly updating such plans to ensure that each Director and Shariah Committee possesses the requisite knowledge and skills to fulfill his responsibilities.</p>	
(D)		
Board Evaluation and Assessment	The Board through the BNCC is responsible to undertake the assessment on the performance of the Board as a whole, the Board Committees, the Individual Directors and the independence of the Independent Directors on an annual basis. This is to enable the BNCC to recognize the Board's	<i>BNM CG (13.1) on Board Evaluations and Development</i>

		<i>Reference</i>
	strengths and identify the areas for professional development and process improvement for the Board, Board Committees and the Individual Directors.	
	The Board shall establish and implement a systematic process for conducting Board evaluations. The Board must deliberate the results of the Board evaluation and address areas for the development of individual directors and to improve the effectiveness of the Board.	<i>BNM CG (13.2) on Board Evaluations and Development</i>
	The evaluations criteria are in accordance with BNM Policy Documents on Corporate Governance and Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperpadankan) which covers 'Director Peer Evaluation' and 'Board Self Evaluation Questionnaires'.	<i>BNM CG (13.3) on Board Evaluations and Development</i> <i>MOF Guidelines "Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperpadankan)</i>
	Notwithstanding, the Board must engage external consultants or experts to assist in and lend objectivity to the annual Board evaluations at least once every two (2) years or such other intervals as may be approved by BNM.	<i>BNM CG (13.5) on Board Evaluations and Development</i>
	The evaluation process on the Board, Board Committees and Individual Director are carried out by way of self-assessment and peer assessment, in the form of evaluation questionnaire completed, reviewed and deliberated by the BNCC before its findings and recommendations tabled to the Board.	<i>BNM CG (13.1) on Board Evaluations and Development</i> <i>BNM CG (Appendix 1) on Board Committee Responsibilities</i>

PART 7: REMUNERATION

		<i>Reference</i>
(A)		
General	The Bank aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Bank successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.	<i>BNM CG (19.5) on Remuneration</i>
(B)		
Approval for Remuneration	1. Approval of the emoluments and benefits of the Non-Executive Directors are based on assessment and recommendation of the BNCC subject to MOF's final approval.	<i>Section 230 CA, 2016</i>
	2. A formal independent review of the Directors' remuneration is undertaken no less frequently than once every three (3) years, subject to the MOF's final approval.	<i>Market Practice</i>
	3. The provision of any form of financial and non-financial incentives including the honorarium/ gift/ ex-gratia/ vacation trip to individual or collective Board members will be subject to MOF's approval.	<i>MKD Guidelines for Directors</i>

PART 8: ACCOUNTABILITY AND AUDIT

		<i>Reference</i>
(A)		
Directors' Responsibility Statement in respect of the preparation of The Annual Financial Statement	1. The Directors to 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 and Companies Act 2016.	<i>Section 244 of CA, 2016</i>
	2. 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.	<i>Section 266 of CA, 2016</i>
(B)		
Relationship with Auditors	<u>External Auditors</u> 1. The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors ("EAs") through its Board Audit Committee ("BAC").	<i>BNM CG (Appendix 1) on Board Committee Responsibilities</i>
	2. The BAC also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company Auditors. The Bank ensures that the EAs do not supply a substantial volume of non-audit services to the Bank.	<i>BNM CG (Appendix 1) on Board Committee Responsibilities</i>
	3. Appointment of the EAs is subject to approval of Shareholders at General Meetings. The EAs have to retire during the AGM every year and be re-appointed by Shareholders for the ensuing year subject to BNM's approval.	<i>Section 271 (3) of CA, 2016</i> <i>Section 63, DFIA 2002</i>

		<i>Reference</i>
	<p><u>Internal Auditors</u></p> <p>The Bank has a well-resourced internal audit function, which critically reviews all aspects of the Bank's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the BAC.</p>	
(C)		
Internal Controls	1. The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational and compliance controls and risk management to ensure shareholders' investment, customers' interests and the Bank's assets are safeguarded.	<i>BNM CG (Appendix 1) on Board Committee Responsibilities</i>
	2. The Board ensures the system of internal controls is reviewed on a regular basis.	<i>BNM CG (Appendix 1) on Board Committee Responsibilities</i>
	3. The BAC receives reports regarding the outcome of such reviews on a regular basis.	<i>BNM CG (Appendix 1) on Board Committee Responsibilities</i>

PART 9: INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

		<i>Reference</i>
(A)		
General	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.	<i>BNM CG (Part F) on Transparency</i>
(B)		
Conferences and Road Show	Stakeholders engagement are also done through conferences and road show whereby SME Bank's strategy, progress of its various initiatives will be communicated to the stakeholders.	<i>Current Practice</i>
(C)		
Website	The Bank's website provides easy access to corporate information pertaining to SME Bank and its activities and is continuously updated. The website houses information of SME Bank at www.smebank.com.my which includes corporate profile, Key Responsible Persons of SME Bank, investor information, financial results and corporate news.	<i>BNM CG (Part F) on Transparency</i>

PART 10: COMPANY SECRETARY

		<i>Reference</i>
(A)		
General	1. The Board appoints the CS or CSs, who plays an important advisory role, and ensures that the CS fulfils the functions for which he/she has been appointed.	<i>BNM CG (15.4) on Company Secretary</i>
	2. The CS is responsible for supporting the effective functioning of the Board and to provide counsel to the Board on governance matters and to facilitate effective information flows between the Board, the Board Committees, and Key Responsible Persons of SME Bank.	<i>BNM CG (15.1) on Company Secretary</i>
	3. The appointment and removal of the CS must be approved by the Board.	<i>BNM CG (15.4) on Company Secretary</i>
(B)		
Duties	1. The CS shall keep confidential the affairs of SME Bank and its officers at all times. Accordingly, where the CS also serves as company secretary for SME Bank's affiliates, he/she shall not disclose the affairs of SME Bank or its officers to the affiliates except with the knowledge and consent of SME Bank.	<i>BNM CG (15.2) on Company Secretary</i>
	2. Attending Board and Board Committees meetings and ensuring that the proceedings of Board and Board Committees meetings and decisions made thereof, are accurately and sufficiently recorded.	<i>BNM CG (9.7) on Company Secretary</i>
	3. Ensuring that minutes of meetings are properly kept for the purposes of meeting statutory obligations, as well as obligations arising from BNM and other regulatory requirements.	<i>Section 341 of CA, 2016</i>

		<i>Reference</i>
	4. Communicating the decisions of the Board for Key Responsible Persons of SME Bank's attention and further action.	<i>BNM CG (15.1) on Company Secretary</i>
	5. Ensuring all appointments and re-appointments of Directors are in accordance with the relevant legislations.	<i>BNM CG (15.1) on Company Secretary</i>
	6. The CS is a central source of information and advice to the Board and its Board Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Directors.	<i>BNM CG (15.1) on Company Secretary</i>
	7. The CS should advise Directors of their obligations to adhere to regulatory compliance issues relevant to Directors' duties.	<i>Malaysian Code on Corporate Governance Principle A (Board Leadership and Effectiveness)</i>
	8. The CS must keep abreast of, and inform, the Board of current governance practices.	<i>BNM CG (15.1) on Company Secretary</i>
(C)		
Access to advice and services	All Directors have access to the advice and services of the CS.	<i>Malaysian Code on Corporate Governance Principle A (Board Leadership and Effectiveness)</i>

PART 11: APPLICATION

		<i>Reference</i>
(A)		
General	1. The principles set out in this Charter are:	
	(i) kept under review and updated as practices on Corporate Governance development and further guidelines on Corporate Governance are issued by the relevant regulatory authorities;	<i>BNM CG (22.3) on Transparency</i>
	(ii) applied in practice having regard to their spirit and general principles rather than to the letter alone; and	
	(iii) summarised in the Annual Report as part of a narrative statement by the Directors on Corporate Governance.	<i>BNM CG (22.3) on Transparency</i>
	2. The Board endeavours to comply at all times with the principles and practices set out in this Board Charter.	
	3. Any updates to the principles and practices set out in this Charter will be made available on SME Bank's website.	<i>BNM CG (Part F) on Transparency</i>

PART 12: TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

1.	
Objective	1.1 The primary objective of the Terms of Reference (“TOR”) is to set out the rules and regulations pertaining to the Board and the conduct of its meetings.
	1.2 The TOR supplements and do not override the Bank's Memorandum and Articles of Association/Constitution, the Board Charter and applicable laws governing companies and banks.
2.	
Composition	2.1 The Board members shall comprise of at least four (4) members and not more than eleven (11) members unless otherwise determined by a General Meeting.
	2.2 Board member(s) shall be appointed by the Board, upon recommendation of the Board Nomination & Compensation Committee pursuant to a nomination from the Ministry of Finance/Minister of Finance (Incorporated). However, nominations could also come from the Board itself but subject to further concurrence of the Ministry of Finance/Minister of Finance (Incorporated). All appointments shall be subject to Bank Negara Malaysia's verification.
	2.3 At minimum, three (3) of the members must have finance related/accounting experience. A member who is qualified in finance-related disciplines should have acquired a minimum of five (5) years working experience at senior management level in the discipline of banking, insurance, takaful or investment.
	2.4 Each member must attend at least 75% of the Board meetings held in each financial year (not including Special Board meetings and Board Committee meetings).
	2.5 The Board shall not be made up of more than one (1) Executive Director. Majority of the Board shall be Independent Directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment.

	<p>2.6 GP/CEO is the Permanent Invitee to be in attendance for the meeting. In the absence of GP/CEO, the Group Chief Financial Officer (GCFO) should attend on behalf.</p>
	<p>2.7 It is at the discretion of the Board to invite any staff to be Special Invitee to be in attendance during the Board meeting.</p>
3.	
Chairman	<p>3.1 The Board shall appoint a Non-Executive Director as the Chairman of the Board. In the absence of the Chairman, any one of the Directors who is a Non-Executive Director may be elected by the Directors present to chair the meeting. However, the Chairman of the Bank shall not be appointed as the Chairman of any of the Board Committees.</p>
	<p>3.2 The Chairman of the Board should be in a non-executive capacity and should not have an executive position or responsibility at the parent or related institutions.</p>
	<p>3.3 The key role of the Chairman is to ensure, among others:</p> <ul style="list-style-type: none"> (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) Avenues are provided for all Directors to participate openly in the discussion; and (vii) That he provides leadership to the Board and is responsible for the developmental needs of the Board.

4.	
Quorum	<p>4.1 A minimum of five (5) members with majority of Independent Directors to constitute a sufficient quorum for any decision making in the Board meeting. In case of insufficient quorum, the meeting shall be adjourned to such other date and at such other time and venue as the members may determine.</p>
	<p>4.2 The quorum must be present in person, however, a member may also constitute the quorum by means of audio, or audio and visual communication where he/she is unable to be present in person with the Chairman's approval.</p>
	<p>4.3 Attendance at Board meeting, by way other than physical presence, remains the exception rather than norm and is subject to appropriate safeguards to preserve the confidentiality of deliberations.</p>
	<p>4.4 All Board members present at the Board meeting are entitled to vote, save for any member who has made a declaration of interest in the proposal whom shall abstain from voting.</p>
	<p>4.5 Decisions at the Board shall be by way of simple majority. In case of equality of vote, the Chairman of the meeting shall be entitled to a casting vote. However, when the Board sits to approve financing facility involving connected party, the consensus on approval must be made by not less than $\frac{3}{4}$ of all the Board members present.</p>
5.	
Frequency of Board Meetings	<p>5.1 The Board meeting shall be held at the minimum of six (6) times per annum. However, the Chairman has the authority to postpone a meeting or to convene an unscheduled meeting at any time deemed necessary or as and when the need arises.</p>
6.	
Notice of Meetings	<p>6.1 Meetings of the Board shall be summoned by the Company Secretary at the request of any of its members.</p>
	<p>6.2 Notice of Meeting to be issued to the Board at least seven (7) working days before the meeting or such shorter period as may be agreed upon by the members.</p>

	6.3 All proposal papers shall be uploaded for the Board's viewing not less than five (5) working days prior to the date of meeting unless with consent of the Chairman.
7.	
Roles and Responsibilities	7.1 The roles and responsibilities of the Board are as stipulated in the Board Charter.
8.	
Reporting to the Board	8.1 The GP/CEO shall report formally to the Board on all matters relating to his duties and responsibilities, within the purview of the Board.
	8.2 The Chairman of Board Committees shall report on the Committee's business to the Board for notification on the proceedings of each meeting held on all matters within its duties and responsibilities.
	8.3 The Board shall make whatever recommendations to its Shareholders, as it deems appropriate on any area within its remit where action or improvement is needed.
9.	
Declaration of Interest and Confidentiality Clause	10.1 Members of the Board are required to declare at the meeting any interest that the members may have in respect of the proposals tabled for deliberation, in the spirit of the disclosure of interest under the Companies Act 2016 and DFIA. Members are to abstain from deliberation and voting in the event the Board finds such interests to amount to a conflict situation and shall not be counted for the purpose of determining a quorum.
	10.2 Members including the invitees are unconditionally obligated not to give, produce, divulge, reveal, publish or disclose any information to any person relating to the affairs of the Bank which he/she has acquired in the performance of any function or duties as a Director of the Bank.

10.	
Independent Advice	10.1 The Board may appoint professional advisors as they may consider appropriate to assist in discharging their duties.
11.	
Secretariat	11.1 Group Secretarial Department (“GSD”) shall be responsible for the arrangement of the Board meeting which includes:- (i) The circulation of notice and agenda of the meeting; and (ii) The circulation of proposals submitted by the process owner.
	11.2 The submission of proposals to GSD shall be not lesser than seven (7) working days prior to the meeting. Any late submission of less than five (5) working days from the meeting date, shall be subject to approval by the Chairman upon recommendation of the GP/CEO or as delegated by Chairman to GP/CEO.
	11.3 The Company Secretary or such other person(s) as may be appointed by the Board shall act as the Secretary during Board Meeting to record the minutes of meeting. GSD then will circulate the first draft minutes of meeting to the members within five (5) working days from the date of the meeting.
	11.4 The finalized minutes shall be confirmed by Board at the following Board meeting and signed thereof by its Chairman.
12.	
Others	12.1 The Board’s Term of Reference shall be reviewed as and when required.
	12.2 The effectiveness of the Board shall be assessed annually by the Board based on objective performance criteria.
	12.3 Subject to Chairman’s prior consent, decision by Board may be made via circular resolution and shall be deemed effective after being executed by all members of Board. All decisions made via circular resolution shall be presented to the subsequent Board for notation.