

ALLIANCE BANK MALAYSIA BERHAD (88103-W)

Board Charter

This charter is designed to provide directors and officers with greater clarity regarding the role of the Board, the requirements of directors in carrying out their role and discharging their duties to Alliance Bank Malaysia Berhad (“ABMB” or “the Bank”), and the Board’s operating practices.

1. Company Statement of Purpose and Vision of the Bank

The purpose of the Bank is to improve across all dimensions of competitiveness and to differentiate via excellent customer service and branding to build long term shareholders value with due regard to other stakeholders’ interests.

The Bank is committed to “Building Alliances to Improve Lives” by providing innovative, fast, simple and responsive banking and financial solutions that are aligned to customers’ needs.

The Bank has adopted five Key Behaviours as below towards achieving its Vision:

- Commit to Excellence
- Take Ownership
- Collaborate
- Understand & Act
- Innovate & Simplify

2. Standards of Business Conduct

It is the policy of the Bank that its affairs and all subsidiaries are conducted in accordance with the law and to high ethical standards. It is the responsibility of all directors and employees to ensure that, for their part, this policy is achieved.

3. Responsibility of the Board

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board’s decisions on the Bank and its customers, officers and the general public. In fulfilling this role, the Board shall –

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank’s risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the 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 ;
- (c) oversee the implementation of the Bank’s governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank’s operations;

- (d) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- (e) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (f) oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (g) promote timely and effective communication between the Bank and Bank Negara Malaysia on matters affecting or that may affect the safety and soundness of the Bank.

4. Board Performance

The Board keeps its own performance under review. This includes a formal review step, such as an annual review and self/peer assessment process, as well as comprehensive reviews from time to time where necessary.

The objectives of the board performance review is to assess the overall Board effectiveness with particular emphasis on :

- Individual performance of directors
- The Board's own role
- The effectiveness of processes to support that role, and
- The capabilities desirable to carry out that role.

Directors should act honestly and in the best interests of the Bank when performing their duties as directors.

The Board periodically engages external consultants to assist in and lend objectivity to the annual board evaluations.

5. Board Composition/Directors

5.1 Composition of the Board

The Board fosters independence of view and its composition should reflect the nature of the Bank's business with a balance of cultural fit, business experience and diverse perspectives.

The Bank's Articles of Association provides that until otherwise determined in general meeting, the number of directors shall not be less than five (5). The Board must have a majority of independent directors at all times.

The independence of directors is to be assessed by the Group Nomination & Remuneration Committee/Board in accordance with the requirements of Bank Negara Malaysia.

An individual must not be considered to be an independent director if he or any person linked to him–

- (a) has been an executive in the last two years;

- (b) is a substantial shareholder of the financial institution or any of its affiliates; or
- (c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last two years.

“Significant business or other contractual relationship” refers to any transaction engaged with ABMB and or other entities within ABMB Group, whether with other persons or through a firm or a company of which he is a partner, director or major shareholder, the value of which exceeds RM1 million. However, “transactions” as stated above shall exclude the following transactions:

- o for personal use of the said director;
- o for personal investment of the said director except for the purpose of carrying on a trade or business; or
- o normal banking transactions other than loans and advances

provided that such transactions are on normal commercial terms. A director of ABMB will still be deemed independent if the company in which he is also a director, has loans with the Licensed Institution, provided he is not a substantial shareholder of the company, or a guarantor of the loan and is not involved in the deliberation and decision-making process.

5.2 Chairman’s role

The Chairman carries out a leadership role in the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close professional relationship with the chief executive officer and his management team and acts as mentor as required. He chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board and its processes. The Chairman must ensure that all directors are encouraged to participate in the affairs of the Board and have an adequate opportunity to express their views.

5.2A Role of Senior Independent Director (“SID”)

The roles of the SID are as follows:

- Acts as a sounding board to the Chairman
- Serves as an intermediary for other directors when necessary; and
- Acts as the point of contact for shareholders and other stakeholders.

5.3 Role of Chief Executive Officer (“CEO”)

The role of the CEO is seen as critical to the performance of the Bank. He is expected to provide leadership, strategic vision, high-level business judgment and wisdom, and the ability to meet immediate performance targets without neglecting longer-term growth opportunities of the Bank.

The key role of the CEO, amongst others, shall include:

- Developing the strategic direction of the Bank;
- 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 directions in the implementation of short and long term business plans;
- Providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees;
- Keeping Board fully informed of all important aspects of the Bank's operations and ensuring that sufficient information is distributed to Board members; and
- Ensuring the day-to-day business affairs of the Bank are effectively managed.

5.4 Role of Executive Directors

Executive directors are, as employees, involved in the day-to-day management of the Bank.

As the function of the Board is to provide effective oversight over Management, the number of executive directors on the Board should be kept to the very minimum and should not be more than one. The executive director of the Bank, if any, will usually be the CEO.

5.5 Role of Non-Executive Directors

Non-executive directors are expected to provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. They may also act as a bridge between Management and stakeholders, particularly shareholders.

5.6 Directors' shareholdings

Directors' shareholdings are disclosed in the annual report. Any director who acquires or disposes a relevant interest in the shares of ABMB must notify the Board immediately.

However, Directors are limited in their ability to deal in the ABMB shares by reason of their position as insiders.

Pursuant to Chapter 14 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), Directors and principal officers of the Bank are restricted from dealing in securities of ABMB during the closed period (as defined under the MMLR, which will be notified to the Directors from time to time).

Directors may deal in the shares of ABMB during the closed period subject to complying with the following conditions:

- Before any proposed dealing in the shares of ABMB, a written notice of intention to deal with the shares must be given to the Bank.
- Upon receipt of the notice, the Bank will immediately make an announcement to Bursa Securities, with among others, the following information:
 - The director's current shareholdings in ABMB; and
 - The director's intention to deal in shares of ABMB during closed period.
- the proposed dealing could only be effected after one (1) full market day from the date of the announcement made pursuant to paragraph (a) above.

- (d) a written notice of dealing in shares of ABMB must be given to the Bank within one (1) full market day after the dealing and the Bank will immediately make an announcement of such dealing to Bursa Securities. The following information should be included in the notice and announcement:
- date of dealing;
 - consideration for the dealing; and
 - number of shares purchased or disposed, both in absolute terms and as a percentage of all issued shares of that class.

For dealings outside closed periods, Directors must give written notice of the dealing to the Bank within 3 market days after the dealing, and the Bank will make an immediate announcement to Bursa Securities of such dealing.

Directors who possess inside information relating to the Bank may not deal in the shares of ABMB.

5.7 Directors' remuneration

Non-executive directors are paid fees as approved by shareholders at the annual general meeting. Directors who hold executive positions in the Bank or its subsidiaries will not be paid directors' fees as they will be entitled to salaries and other emoluments pursuant to a contract of service with the Bank or its subsidiaries.

The Directors may establish any committees for managing any of the affairs of the Bank, and may fix their remuneration.

5.8 Directors' outside commitments

Non-executive directors agree to inform the Chairman in regard to additional external appointments.

To ensure that Directors have the time to focus and be effective Board members, it is recommended that the cap on the number of listed Boards that a Director of the Bank can sit on be limited to 5.

However, the Directors are expected to know the extent of their commitments and they must be prepared to devote sufficient time to the affairs of the Bank.

5.9 Provision of Business or Professional Services by Directors

Because a conflict of interest (actual or perceived) may be created, directors should not, generally, provide business or professional services of an ongoing nature to the Bank.

Notwithstanding the general rule, the Bank is at liberty to:

- For the purpose of a special assignment, engage the services of any director having special expertise in the particular field; or
- Engage the services of another member of a director's organization;

so long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

5.10 Tenure and Age Limit for Directors

The tenure of executive directors is tied to their executive office.

The tenure of an independent director shall not exceed a cumulative term of 9 years.

The non-independent non-executive directors will not be considered for further re-appointment after having served the Board for a cumulative term of 12 years.

As the capacity, energy and enthusiasm of a Director is not necessarily linked to age, it is deemed not appropriate to prescribe age limits for the retirement of directors. The Board believes in having healthy mix of age and experience and therefore does not prescribe a minimum or maximum age limit for its Board members.

5.11 Succession

The Board addresses issues of succession for the chairman and other members. Through the Group Nomination & Remuneration Committee, it identifies suitable candidates and initiates the appointment of new members as opportunity or need arises.

6. Company Secretary

The appointment of the company secretary is agreed by the Board. The secretary supports the Board in carrying out its role, including assistance in communications between Board and Management and attending meetings and recording minutes of the proceedings, as well as ensuring that Board procedures are followed.

7. Board Processes

7.1 Frequency and duration of meetings

The current practice is to schedule eight (8) meetings per year. The Group Audit Committee is scheduled to meet at least four (4) times a year. Other committees of the Board meet as required. Additional formal business is dealt with as required, whether by physical or telephonic meetings or others.

7.2 Attendance at Board and Board Committees meetings

Directors must attend at least 75% of all the Board/Board Committees meetings held in each financial year. Directors must not appoint another person to attend or participate in a Board/Board Committees meeting on his/her behalf.

7.3 Agenda

The Board's agenda is settled by the chairman in conjunction with the company secretary.

The agenda includes regular business and financial reports, risk management, periodical review of strategic issues and consideration of current issues and proposals put forward for approval such as delegation to Management, setting of Management limits etc.

7.4 Meeting papers

Papers on agenda items are circulated to directors not less than three days in advance of meetings.

Announcements by the Bank as part of its continuous disclosure obligations and other pertinent information are circulated to directors for information between meetings and before publication.

7.5 Attendance at meetings by officers

Senior officers are asked to attend particular items within their responsibility.

7.6 Committees of the Board

The Board's approach is that major policy decisions are matters for the Board as a whole. The matters reserved for the Board's decision are listed in **Appendix 1** attached.

The standing committees of the Board are the Executive Committee, Group Audit Committee, Group Risk Management Committee and Group Nomination & Remuneration Committee.

The Committees of the Board operate within clearly defined roles and responsibilities as set out in the terms of reference of each of the committees.

(i) Executive Committee ("EXCO")

EXCO is responsible to act as the principal working-arm of the Board to complement the Board in fulfilling its oversight responsibility, which include reviewing of the strategies, business plan, strategic investment or divestments of the Bank, reviewing / approving credit transactions / exposures, business aspects of New Product Programmes and Non Credit Expenditure as prescribed in its Terms of Reference ("TOR").

(ii) Group Audit Committee ("GAC")

GAC is responsible to ensure the internal and external audit functions are properly conducted and audit recommendations are being carried out effectively, to comply with regulatory guidelines on Audit Committee and Internal Audit Function and to provide independent oversight of ABMB and its subsidiaries' financial reporting and internal control system and ensure checks and balances within ABMB and its subsidiaries. GAC reviews, among others, the quarterly results, full year financial statements, audit reports which include observations pertaining to risk management and internal controls, related parties transactions and other matters as prescribed in its TOR.

(iii) Group Nomination & Remuneration Committee ("GNRC")

GNRC is responsible to support the Boards in carrying out their functions in the following matters concerning the Boards, Shariah Committee, Senior Management and company secretary:

- Appointment and removals;

- Composition of the Boards;
- Performance evaluation and development; and
- Fit and proper assessments

and actively overseeing the design and operation of the Banks' remuneration system, as prescribed in its TOR.

(iv) Group Risk Management Committee ("GRMC")

GRMC is responsible to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure the risk management process is in place and functioning according to its purpose. In principle, the GRMC review and approve risk management strategies, methodologies, policies and guidelines, risk tolerance / appetite and other risk relating issues as prescribed in its TOR, including the following:

- to ensure that the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities; and
- to oversee the management of the Bank's compliance risk.

To keep the Board informed of the Board Committees' works, key deliberations and decision on the delegated matters, minutes of Board Committee meetings are circulated to the Board upon confirmation.

Other committees may be established as deemed appropriate to address matters calling for special attention or to exercise specified powers on behalf of the Board.

The committees of the Board shall review and assess the adequacy of their respective TOR at two (2) years interval or as and when necessary. Any proposed changes to the TOR shall be approved by the Board.

7.7 Management of conflicts of interest and use of corporate information

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors absent themselves from discussion or decisions on those matters unless resolved otherwise by the remaining members of the Board.

Director may only use or disclose information relating to the Bank to the extent such use or disclosure is consistent with their duties as directors.

This section should be read in conjunction with the Conflict of Interest Policy for Directors.

7.8 Minutes

Minutes are prepared and forwarded to chairman for clearance within two weeks following Board and Board committee meetings. They are circulated with the Board papers for confirmation at the following meeting.

The minutes should record the decisions and their rationales. It is important to record any concerns or dissenting views raised by any directors.

7.9 Familiarization with business and on-going training

New members of the Board are provided with background material and are offered management briefings on strategic and other issues. Directors are expected to acquire and maintain a sufficiently detailed knowledge of the Bank's business and on-going performance to enable them to make informed decisions on the issues before the Board.

Directors are encouraged to undertake ongoing training as appropriate regarding the performance of their duties so as to ensure that they are able to perform their duties as directors of the Bank to the best possible standards.

7.10 Access to professional advice

The Board may have access to independent advisers where it sees a need. If it became appropriate for a Director to obtain external professional advice, separate from advice obtained on behalf of the Bank, this would be arranged in consultation with the chairman and the advice so obtained would ordinarily be provided to all directors.

8. Representation of the Bank

The Board looks to Management to speak for the Bank and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective way while meeting all mandatory disclosure requirements.

Non-executive directors other than the chairman should avoid commenting on the Bank to external audiences and the chairman keeps in touch with the chief executive officer on the need or opportunity for comment on his own part.

9. The Bank's constitution

The Board operates pursuant to powers and subject to the provisions in the Constitution of the Bank.

10. Communication with shareholders

The Board seeks to ensure that shareholders are informed of all major developments and transactions affecting the Bank. Information is provided to shareholders by way of disclosures to the Bursa Securities and/or press releases, and through the Bank's website and annual report.

The Board regards the annual general meeting of the Bank as an opportunity to communicate directly with shareholders.

11. Review of the Charter

This charter is subject to review by the Board at two (2) years interval or as and when necessary in line with development in corporate governance requirements and practices.

MATTERS RESERVED FOR THE BOARD

1. Strategy and Management
 - Approval of the group's strategic direction and objectives.
 - Approvals of the annual operating and capital expenditure budgets and any material changes to them.
 - Extension of the group's activities into new business or geographic areas.
 - Any decision to cease to operate all or any material part of the group's business.

2. Structure and Capital
 - Changes relating to the group's capital structure including reduction of capital, share issues, share buy backs (including the use of treasury shares).
 - Major changes to the group's corporate structure, including, but not limited to acquisitions and disposals of shares which are material relative to the size of the group.
 - Changes to the group's management and control structure.
 - Any changes to the Bank's listing or its status as a public listed company.

3. Financial Reporting and Controls
 - Approval of quarterly financial results.
 - Approval of the annual report and accounts, including corporate governance statement and directors' remuneration report.
 - Approval of the dividend policy.
 - Declaration of interim dividend and recommendation of final dividend.
 - Approval of any significant changes in accounting policies or practices.
 - Approval of material unbudgeted capital or operating expenditures (outside of board committees' approval limits delegated by the Board).

4. Communication
 - Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
 - Approval of all circulars, prospectuses and listing particulars.
 - Regulatory issues which require the Board's response

5. Board Membership and Other Appointments
 - Changes to the structure, size and composition of the board.
 - Succession plan for the Board and Group Chief Executive Officer (“GCEO”).
 - Appointments to the Board.
 - Selection of the chairman of the Board and the GCEO.
 - Appointment of the senior independent director.
 - Membership and chairmanship of board committees.
 - Re-appointment/re-election of directors.
 - Appointment or removal of the company secretary.
 - Appointment, re-appointment or removal of the external auditor to be put to shareholders for approval in general meeting.

6. Remuneration
 - Remuneration of the directors and GCEO.
 - Group corporate scorecard and the annual bonus pool.
 - Introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

7. Delegation of Authority
 - Approval of the delegated levels of authority, including the GCEO’s authority limits.
 - Establishing board committees and approving their terms of reference, and approving material changes thereto.

8. Other
 - Determining the independence of non-executive directors.
 - Approval of bank-wide policies.
 - Any decision likely to have a material impact on the Bank or group from any perspective, including, but not limited to, financial, operational, strategic or reputational.
 - Matters which exceed the board committees’ approval authorities delegated by the Board.