



## **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 the Alliance Islamic Bank Berhad ("AIS" or "the Bank"), and the Board's operating practices.

### **1. Company Statement of Purpose**

The purpose of the Bank is to improve its competitiveness across all dimensions and to differentiate itself in the market through excellent customer service and branding in order to build long term value for our shareholders with due regard to other stakeholder interests.

### **2. Standards of Business Conduct**

It is the policy of the Bank that its affairs 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 that will, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) 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 the Bank;
- (c) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank;
- (d) oversee the implementation of the Bank's governance framework and internal control framework, in particular to prevent Shariah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;

- (e) 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;
- (f) oversee the performance of senior management 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;
- (g) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behavior as well as reflecting 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;
- (h) Oversee and approve sustainability strategies, priorities and targets through incorporation of appropriate environmental, social and governance considerations in the Bank’s business strategies;
- (i) 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
- (j) 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.

### **3A. Matters Reserved for the Board’s Decision**

1. Strategy and Management
  - Approval of the Bank’s strategic direction and objectives.
  - Approvals of the annual operating and capital expenditure budgets and any material changes to them.
  - Extension of the Bank’s activities into new business or geographic areas.
  - Any decision to cease to operate all or any material part of the Bank’s business.
2. Structure and Capital
  - Changes relating to the Bank’s capital structure including reduction of capital and share issues.
  - Major changes to the Bank’s corporate structure, including, but not limited to acquisitions and disposals of shares which are material relative to the size of the Bank.
  - Changes to the Bank’s management and control structure.
3. Financial Reporting and Controls
  - Approval of quarterly financial results.
  - Approval of the annual accounts, including corporate governance statement, sustainability statement and directors’ 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.
  - 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 CEO.
  - Appointments to the Board.
  - Selection of the chairman of the Board and the CEO.
  - 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 CEO.
  - Bank's 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 CEO's authority limits.
  - Establishing board committees and approving their terms of reference, and approving material changes thereto.
8. Others
  - Determining the independence of non-executive directors.
  - Approval of bank-wide policies.
  - Any decision likely to have a material impact on the Bank from any perspective, including, but not limited to, financial, operational, strategic, reputational or sustainability.
  - Matters which exceed the board committees' approval authorities delegated by the Board.

#### **4. Board Performance**

The Board keeps its own performance under review on a group basis under its holding company [Alliance Bank Malaysia Berhad ("ABMB")]. 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 are 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 engages external consultants at least every three years 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 officer (except as an independent director) in the last three 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 three years.

"Officer" as defined in section 2 of the Companies Act 2016 which includes any director, secretary or employee of the Bank.

"Significant business or other contractual relationship" refers to any transaction engaged with the Bank or other entities within the 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:

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

provided that such transactions are on normal commercial terms. A director of the Bank will still be deemed independent if the company in which he is also a director, has financing with the Bank, provided he is not a substantial shareholder of the company, or a guarantor of the financing 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 ensure that all directors are encouraged to participate in the affairs of the Board and have an adequate opportunity to express their views.

## **5.3 Role of 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.
- Establish a management structure and reporting arrangement that provides a clear scope of accountability between the business lines and the internal control functions that are involved in managing Shariah non-compliance risks, including the accountability of the senior officer leading a Shariah department or unit;
- Implement effective Shariah governance policies, procedures and practices in accordance with the direction given by the Board;
- Implement the rulings of the SAC and the decision or advice of the Shariah Committee with due regard by the Board;
- Implement an effective communication policy that supports a sound understanding of Shariah matters across the Bank;
- Conduct regular assessment to evaluate the quality of operational support provided to the Shariah Committee and address any inadequacies arising thereof; and
- Report to the Board and Shariah Committee on a timely basis any potential or actual Shariah non-compliance events.

## 5.4 Directors' shareholdings

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

However, Directors are limited in their ability to deal in the holding company (ABMB)'s 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 the holding company (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 the holding company (ABMB) during the closed period subject to complying with the following conditions:-

- (a) Before any proposed dealing in the shares of the holding company (ABMB), a written notice of intention to deal with the shares must be given to the holding company (ABMB).
- (b) Upon receipt of the notice, the holding company (ABMB) will immediately make an announcement to Bursa Securities, with among others, the following information:-
  - (i) The director's current shareholdings in the holding company (ABMB); and
  - (ii) The director's intention to deal in shares of the holding company (ABMB) during closed period.
- (c) 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 the holding company (ABMB) must be given to the holding company (ABMB) within one (1) full market day after the dealing and the holding company (ABMB) 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 holding company (ABMB) within 3 market days after the dealing, and the holding company (ABMB) will make an immediate announcement to Bursa Securities of such dealing.

Directors who possess inside information relating to the holding company (ABMB) may not deal in the holding company (ABMB)'s shares.

## **5.5 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/Group 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/Group.

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

## **5.6 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.

## **5.7 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.

## **5.8 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.

## **5.9 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 at least eight (8) meetings per year. Committees of the Board are scheduled to meet at least four (4) times a year. Additional formal business is dealt with as required, whether by physical or teleconferences or other appropriate means.

### **7.2 Attendance at Board and Board Committees meetings**

Directors must attend at least 75% of all the Board/Board Committees meeting 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 set 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 working days in advance of meetings.

Announcements relating to the Bank 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 standing committees of the Board are the Group Audit Committee, Group Risk Management Committee, Group Nomination & Remuneration Committee, Group Sustainability Committee and Group Information Technology Committee.

The committees of the Board operate within clearly defined roles and responsibilities as set out in the terms of reference ("TOR") of each of the committees:

(i) Group Executive Committee ("Group EXCO")

Group EXCO is responsible to act as the principal working-arm of the Board to complement AIS in fulfilling its oversight responsibility, which include reviewing of the strategies, business plan, capital structure/restructuring, funding requirement, dividend payment, 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 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 AIS' financial reporting and internal control system and ensure checks and balances within AIS and its holding company (ABMB). 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 Board in carrying out their functions in the following matters concerning the Board, Shariah Committee, Senior Management and Company Secretary:

- Appointment and removals;
- Composition of the Board;
- Performance evaluation and development; and
- Fit and proper assessments

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

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

GRMC is responsible to oversee Senior Management's activities in managing enterprise risk covering areas such as credit, market, liquidity, operational, compliance, legal, IT/Cyber and sustainability as well as ensures compliance

with regulations. This includes ensuring a sound risk strategy and that the risk management framework is functioning effectively according to its purposes.

It also actively promotes a consistent culture of compliance; and a risk awareness and risk management culture within the Group. Its oversight role includes approving and deliberating on risk and compliance strategies, policies and methodologies, as well as related matters.

(v) Group Sustainability Committee (“GSC”)

GSC supports the Board in overseeing the development of sustainability strategies and targets, ensuring that the ABMB Group’s sustainability-related strategies, goals and principles align with and advance its commitment to sustainability.

(vi) Group Information Technology Committee (“GITC”)

GITC supports the Board in overseeing the end-to-end of the information technology strategy project due to its far reaching and long term implications to the Bank and is responsible for supporting the Board in providing oversight over technology-related matters in accordance with the BNM Policy Document on Risk Management in information technology. The GITC will oversee the end-to-end IT and digital delivery of the ABMB Group’s products and services.

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 Terms of Reference shall be approved by the Board.

## **7.7 Shariah Committee**

The Board shall 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 the Bank. This duty requires the Board to –

- (a) give sufficient attention to the facts, rationale and basis for any decisions or advice of the Shariah Committee before arriving at its own decision;
- (b) give fair consideration to the implications of implementing any decisions or advice of the Shariah Committee;
- (c) put in place conflict resolution mechanism to deal with any differences in views between the Board and the Shariah Committee; and
- (d) maintain a record of deliberations between the Board and the Shariah Committee in matters where the differences in views exist, and its resolution.

The Board shall 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.

The Board shall 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.

The Board shall establish effective communication with the Shariah Committee on all matters relating to Shariah requirements, Shariah governance or Shariah non-compliance risks to enable both parties to effectively discharge respective responsibilities under the Shariah governance framework. The Board shall regularly review the quality and frequency of its engagement with the Shariah Committee.

The Board shall 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 fulfill his responsibilities.

The Board shall establish a formal process to assess, at minimum annually, performance and effectiveness of the Shariah Committee and every Shariah Committee member. The assessment shall consider the competence, knowledge and contribution of each Shariah Committee member to the overall functioning of the Shariah Committee.

The Board shall approve a remuneration policy that is commensurate with the accountabilities, duties and responsibilities of the Shariah Committee. The Board shall also ensure that the remuneration policy and performance measures for senior officers responsible for ensuring Shariah compliance reinforce a risk culture that is in line with Shariah governance objectives.

In the event that the Board delegates any of its responsibilities to the Shariah Committee, the Board shall –

- (a) ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the board and the Shariah Committee's charter;
- (b) establish reporting arrangements to be kept informed of the Shariah Committee's work, key deliberations and decisions on delegated matters; and
- (c) remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

The Board shall establish and regularly review succession plans for the Shariah Committee members. Such process shall involve assessment of candidates against the minimum requirements set out in paragraphs 12.1 to 12.8 of BNM Shariah Governance Policy Document.

The Board shall establish a rigorous process for the appointment, reappointment and cessation of Shariah Committee members. Such process shall involve assessment of candidates against the minimum requirements set out in paragraphs 12.1 to 12.8 of BNM Shariah Governance Policy Document.

The Board shall ensure that an effective communication policy is in place and implemented to advocate effective implementation of Shariah Governance.

## **7.8 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 abstain 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.

## **7.9 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.

## **7.10 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.

## **7.11 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 CEO on the need or opportunity for comment on his own part.

## **9. The Bank's Memorandum and Articles of the Association**

The Board operates pursuant to powers and subject to the provisions in the Memorandum and Articles of the Association 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 the holding company (ABMB)'s annual report.

The Board regards the annual general meeting of the holding company (ABMB) 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 the development in corporate governance requirements and practices.