



BNP PARIBAS

March 2019

BNP PARIBAS MALAYSIA BERHAD

BOARD CHARTER



DEFINITIONS

The following definitions (in alphabetical order) shall apply throughout this Board Charter:

Act	:	Companies Act 2016, as amended from time to time
Articles	:	Articles of Association of BNPP Malaysia Bhd
Board	:	Board of Directors of BNPP Malaysia Bhd
BNM	:	Bank Negara Malaysia
BNPP Malaysia Bhd or the Bank	:	BNP Paribas Malaysia Berhad (918091-T)
CEO	:	Chief Executive Officer of BNPP Malaysia Bhd
FSA	:	Financial Services Act 2013, as amended from time to time

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1. Introduction

- 1.1 The Board Charter outlines the roles and responsibilities that the Board and those delegated to Board Committees of BNPP Malaysia Bhd.
- 1.2 This Board Charter is prepared in accordance with the following:
 - (i) BNM Corporate Governance Policy (“BNM CG Policy”);
 - (ii) Corporate Governance Manual And Directors’ Guidelines for Operating Subsidiaries of BNP Paribas Group Asia Pacific (“CG Manual BNPP APAC”);
 - (iii) The Articles;
 - (iv) The Act; and
 - (v) Any other applicable laws, guidelines, or regulatory requirements, where applicable.

2. Board Balance & Composition

- 2.1 In accordance with the Articles, the Board shall consist of a Chairman, and comprise a minimum of not less than three (3) Directors. Any permanent appointed Chairman of the Board should preferably be appointed by the shareholder of the Bank in accordance with the requirement of the CG Manual BNPP APAC.
- 2.2 The Board shall comprise a majority of Independent Non-Executive Directors at all times.
- 2.3 The Directors should have the relevant experience to perform their role, in light of the activities of the Bank, be of the highest integrity and meet any requirements as to fitness and propriety, imposed by the regulators.

The criteria and skill sets required by the Directors, individually and collectively, are documented which reflects the fit and proper requirements; and specific market and/or business knowledge required by the Board.

- 2.4 The main functions of the Chairman and CEO are clearly defined and delineated so as to ensure an appropriate balance of authority, increased accountability, and an enhanced capacity for independent oversight and decision making by the Board;

Chairman	CEO
<ul style="list-style-type: none"> • Holds a non-executive position. • Provides leadership to the Board in its oversight of management and in its stewardship of the Bank. • Presides over all Board meetings and ensure smooth and effective functioning of the Board. 	<ul style="list-style-type: none"> • Is not a member of the Board, attends Board meetings on a permanent invitee basis. • Oversees the day-to-day management and running of the Bank. • Implementation of the Board’s decisions and policies and accountable to the Board.



3. Roles & Responsibilities of the Board

3.1 Roles and Responsibilities of the Board

- (a) Approve risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the bank's risk profile, including initiatives which affect the financial soundness, reputation or key operational controls of the Bank;
- (b) Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and senior officers, such that the Board is satisfied with the collective competence of 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;
- (h) Oversees material compliance breach and incident by staff including Management, if any.

3.1.1 The Board is accountable to the shareholder for the Bank's governance and overall performance.

3.2 Chairman of the Board

3.2.1 In accordance with the CG Manual BNPP APAC, a permanent Chairman of the Board should be preferably appointed by the shareholder of the Bank.

3.2.2 The Chairman of the Board must not be an executive position, and must not have served as a CEO for the past five (5) years.

3.2.3 The Chairman shall:

- (a) Ensure that appropriate procedures are in place to govern the Board's operation.
- (b) Ensure 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 the Directors receive the relevant information on a timely basis.
- (c) Encourage healthy discussion and dissenting views can be freely expressed and discussed.
- (d) Lead efforts to address the Board's development needs.

3.3 CEO

3.3.1 The CEO, in leading Management, bears primary responsibility over day-to-day management of the Bank.

3.3.2 The CEO must:

- (a) Not be disqualified under section 59(1) of the FSA and have been assessed to have complied with the fit and proper requirements.
- (b) Not a substantial shareholder of the Bank.
- (c) Devote the whole of his / her professional time to the service of the Bank.



3.4 Individual Directors

- 3.4.1 Each Directors of the Bank are required to discharge their fiduciary responsibilities of which these include, but not limited to the following:
- (a) Act in good faith and in the best interest of the Bank.
 - (b) Exercise reasonable care, skill and due diligence including business judgment rule.
 - (c) Avoid conflict of interest in a personal or professional capacity.
 - (d) Disclose of and abstain from voting on matters concerning material interest in a personal or professional capacity.

3.5 Independent Directors

- 3.5.1 The Independent Directors of the Bank are independent in character and judgement, and free from associations or circumstances that may impair the exercise of his / her independent judgement.
- 3.5.2 The tenure limit for Independent Directors of the Bank should generally not exceed nine (9) years on a cumulative basis, except under exceptional circumstances or as part of transitional arrangements towards full implementation of succession plans of the Bank.
- 3.5.3 An Independent Director of the Bank must immediately disclose to the Board of any changes in his / her circumstances that may affect his / her status as an Independent Director.

4. Appointment & Re-appointment to the Board

- 4.1 The Nomination Committee ("NC") is responsible for recommending any new appointments of Directors to the Board and Board Committees. The NC evaluates the qualifications and experience of each director candidate and recommending any duly qualified director candidates to the full Board for its evaluation and recommendation to the shareholder for approval.
- 4.2 In its evaluation of individual director candidates, the NC/Board shall consider the Board size and composition in terms of having an optimal mix of experience/expertise and shall adhere to all relevant internal BNP Paribas Group guidelines and BNM CG Policy.
- 4.3 The Bank has voluntarily not set specific minimum age, education, years of business experience or specific types of skills for Board members, but, in general, expects a candidates to have a solid and stable track record with achievements in business, education, professions, financial or other relevant sectors. They must have the requisite integrity, values, education and experience to make significant contributions to the deliberations of the Board and its stewardship of the Bank.



5. Matters Reserved for the Board

5.1 The matters reserved for the Board include but not limited to the following:

- (a) Strategic plans;
- (b) Annual business plan;
- (c) Risk Appetite Statement;
- (d) Approval of all major policies for managing main categories of risk, including credit, market, liquidity, operational risk and other initiatives which could have material impact on the Bank's risk profile;
- (e) Change of composition of Board Committees;
- (f) Appointment and re-appointment of Directors (also subject to shareholder's approval);
- (g) Appointment of CEO and senior officers; and determination of remuneration of CEO and senior officers;
- (h) Oversight of appropriate internal control mechanisms are in place and are being implemented in accordance with the Act and regulatory requirements;
- (i) Audited financial statements including Directors' Report and Statement on Corporate Governance.

6. Board Meetings

6.1 Frequency

6.1.1 The Board shall meet at each quarter in a calendar year, with additional or special meetings as and when required, as stated in the Terms of Reference of the Board.

6.2 Notice and Agenda

6.2.1 In accordance with the Articles, a meeting of the Directors shall be called by not less than three (3) days' notice in writing.

6.2.2 The Chairman together with either the CEO or Head of Risk & Governance or the Company Secretary shall have pre-discussions on agenda items prior to Board meetings.

6.3 Quorum

6.3.1 In accordance with the Articles, at the commencement of Board meetings, the quorum shall be at least half of the Board members. The quorum necessary for the transaction of business of the Directors shall be not less than two (2).

6.3.2 In the event the permanent Chairman of the Board is not present during Board meetings and in accordance with the Articles, the Board shall elect one of its members to be the Chairman and determine the period he/she is to hold office; but if no such Chairman is elected, or if at any meeting the Chairman be not present at the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.



6.4 Mode of Meeting

6.4.1 Attendance at quarterly Board meetings, by way other than physical presence, remains the exception rather than the norm.

6.4.2 In accordance with the Articles, a resolution in writing signed by all Directors shall be effective for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted. A resolution in writing, signed by a Director and transmitted to the Bank by electronic mail, facsimiles or other written electronic communications shall be deemed a document signed by him / her.

6.5 Voting

6.5.1 All resolutions tabled at Board meetings shall be by way of a majority of votes i.e. each Director having one vote. In the case of an equality of votes, the Chairman of the Board shall have a second or casting vote.

6.5.2 A Director shall not be entitled to vote as a Director in respect of any contract or arrangement in which he / she is interested and he / she shall not be taken into account in determining the quorum for the meeting at which any such contract or arrangement is to be considered.

6.6 Minutes

6.6.1 The minutes of all meetings of the Board shall be entered and kept in the minutes book and signed by the Chairman of the meeting.

7. Board Committees

7.1 The Board has established Committees to oversee major functional areas and to address matters, which require detailed review or in-depth consideration. The following objectives of the Board Committees of the Bank are:

(a) Board Risk Management Committee

- To ensure that the risk management policies, process and risk management framework are in place and functioning and to support the Board in meeting the requirements as set out in the Risk Governance policy of BNM.
- To assist the Board / Board Remuneration Committee in the implementation of a sound remuneration system, by examining whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

(b) Audit Committee

- To provide independent oversight of BNPP Malaysia Bhd's internal and external audit function, financial reporting, internal control system and ensuring checks and balances within the Bank.
- To conduct oversight and shall be assisted by Management who is responsible for establishing and maintaining controls, procedures and processes.
- To review the accuracy and adequacy of the Directors' Report, corporate governance disclosures, audited financial statements and other ancillary matters concerning financial positions of the Bank.
- To monitor compliance of conflict of interests encountered by the Board, if any.
- To review third-party opinions on the design and effectiveness of the Bank's internal control framework, where relevant.



(c) **Nomination Committee**

- To provide a formal and transparent procedure for the appointment of Directors, CEO and Senior Officers of the Bank.
- To assess the effectiveness of individual Directors, Board as a whole and performance of CEO and Senior Officers of the Bank.
- To conduct Fit and proper assessments on appointment and on continuing basis.
- To perform annual assessments of Directors, Senior Management and Senior Officers on the minimum requirements set out in 10.2 to 10.5 (for Directors), 17.2 to 17.4 (for Senior Management) and 17.2 (for Senior Officers) of the BNM CG policy.
- To ensure there is a sufficient succession planning and human development focus in the Bank.
- To conduct Board, Board Committees and Individual Directors' evaluation on an annual basis.

(d) **Remuneration Committee**

- To provide a formal and transparent procedure for developing remuneration policy for Directors, CEO, Senior Officers and employees of the Bank and periodically review the remuneration of the mentioned personnel.
- To ensure that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

7.2 The Board Committees have their respective Terms of Reference.

7.3 The Board remains fully accountable for any authority delegated to the Board Committees.

7.4 The Board shall determine and review the composition of the Board Committees, as and when required.

8. Shariah Committee

8.1 The Shariah Committee was established in line with BNM's Shariah Governance Framework for Islamic Financial Institutions ("BNM/RH/GL_012_3") to provide an oversight on Shariah matters related to the Bank's overall Islamic business activities in ensuring the Islamic banking products and services offered by the Bank and the relevant documentations are in compliance with Shariah principles at all times.

8.2 The Shariah Committee reports to / updates to the Board at regular sittings of the Board and provide updates on Shariah related matters, where needed.

8.3 In addition, all appointments including reappointments and removal shall be endorsed by the NC and thereafter, recommended to the Board for approval. The resignation of the Shariah Committee members shall be tabled and accepted by the Board.



9. Board Evaluations, Fit & Proper Assessment

- 9.1 The Board, through the Nomination Committee (“NC”), carries out Board evaluations annually to objectively assess the performance and effectiveness of the Board, Board Committees and Individual Directors.
- 9.2 The NC establishes a set of criteria for the assessment of all Directors with attention given to the principles and skill sets required for the Bank. The set of criteria would be reviewed periodically to maintain their relevance.
- 9.3 The NC also holds the responsibility of conducting Fit & Proper assessment as required by BNM CG Policy. The assessment is done concurrently with the Board evaluations on an annual basis.
- 9.4 The NC will conduct the Fit & Proper assessment in the event of any new appointment or re-appointment of Directors.

10. Directors’ Training & Ongoing Development

- 10.1 The Bank has dedicated sufficient resources toward the on-going development of the Directors to ensure that each Director possesses the knowledge and skills necessary to fulfil their responsibilities.
- 10.2 The Bank organises internal training programmes, with collaboration with external consultants or internal parties, from time to time for the Directors.

11. Conflict of Interest

- 11.1 A Director who is, any way whether directly or indirectly, interested in a contract or proposed contract with the Bank shall declare the nature of his / her interest. The Director that has a material interest in a matter that relates to the Bank or within the Group will give other Directors notice of such interest.
- 11.2 The Director shall also not be entitled to vote as a Director in respect of any contract or arrangement in which he / she is interested and shall not be taken into account in determining the quorum for the meeting at which any such contract or arrangement is to be considered.



12. Company Secretary

- 12.1 The Board is supported by a suitable, qualified and competent Company Secretary who is responsible for supporting the effective functioning of the Board and to comply with all statutory and regulatory requirements.
- 12.2 The primary responsibilities of the Company Secretary of the Bank include the following:
- (i) Ensure Board procedures and applicable rules are observed including all submission deadlines are adhered to.
 - (ii) Maintain statutory and corporate secretarial records of the Board and Board Committees.
 - (iii) Prepare comprehensive and concise minutes of Board and Board Committees' proceedings.
 - (iv) Play an active role in implementing ongoing enhancements to the functioning of the Board and Board Committees and facilitates effective information flows between the Board, Board Committees and Management.
- 12.3 The appointment or removal shall be approved by the Board and in the event of a resignation of Company Secretary, it will be accepted by the Board.

13. Review of Board Charter

- 13.1 The Board Charter shall be reviewed by the Board on a need basis or in the event of any material evolutions and at least once in every two years.