



SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
Company No.: 201001042446 (926374-U)

BOARD CHARTER

1. INTRODUCTION

The Board of Directors (“the Board”) of Sumitomo Mitsui Banking Corporation Malaysia Berhad (“SMBCMY” or “Bank”) is accountable and responsible for the business and affairs of the Bank.

All Board members are expected to show good corporate governance and act in a professional manner in accordance with the law in serving the interest of the shareholder(s), customers, employees, society and all other stakeholders.

All Board members are expected to uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

2. PURPOSE OF BOARD CHARTER

The Board recognises the importance of adopting high standards of corporate governance throughout the Bank as a fundamental part of discharging its responsibilities to protect and enhance shareholder’s value and financial performance of the Bank.

As such, the Board has outlined the Bank’s corporate governance policy in the form of a Board Charter which aims to define the respective roles and responsibilities and authorities of the Board, both individually and collectively, and of Management in setting direction, management and control of the Bank.

This Board Charter set out the mandate, responsibilities and procedures of the Board and the Board Committees including the matters reserved for the Board’s decision in accordance with the principles of good corporate governance set out in the Bank’s policies and procedures and policy documents issued by Bank Negara Malaysia (“BNM”).

This Board Charter would serve as a guidance and clarity for the Board and Management regarding role of the Board, Board Committees and Management, the requirements of Directors in carrying out their role and in discharging their duties towards the Bank as well as the Board’s operating practices.

The Board will carry out its mandate directly and through various committees of the Board and such other committees as it appoints from time to time.

3. **BOARD MANDATE**

The mandate of the Board is governed by the Bank's Constitution, the Companies Act, 2016 ("Companies Act"), Financial Services Act, 2013 ("FSA"), BNM Policy Documents and other relevant laws and regulations in Malaysia.

4. **ROLES AND RESPONSIBILITIES OF THE BOARD**

The Board is ultimately accountable and responsible for the business and affairs of the Bank or under the direction of the Board.

The major responsibilities of the Board include but are not limited to the following:-

- a. To review and approve the strategies, business plans, significant policies and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- b. To oversee the selection, performance, remuneration and succession plans of the President/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;
- c. To oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Bank's operations;
- d. To promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behavior;
- e. To promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- f. To 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;
- g. To promote timely and effective communications between the Bank and BNM on matters affecting or may affect the safety and soundness of the Bank;
- h. To approve the remuneration policy and be subject to periodic review, including when material changes are made to the policy;
- i. To ensure that there are adequate controls and systems in place to facilitate the implementation of the Bank's policies;
- j. To understand the principal risks of all aspects of the businesses in which the Bank is engaged in and ensure that systems are in place to effectively monitor and manage these risks with a view to ensure the long-term viability and success of the Bank;
- k. To monitor and assess development which may affect the Bank's strategic plans;

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- l. To review the adequacy and the integrity of the Bank's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
 - m. To establish an internal audit function that provides the Board with independent assurance that the risk management systems, internal controls and governance processes of the Bank are effective and that its operations are properly controlled;
 - n. To perform the oversight over the functioning of the Bank's Shariah governance policies;
 - o. To approve, upon consultation with the Shariah Committee, all policies relating to Shariah matters and to ensure implementation of such policies;
 - p. To promote Shariah compliance in accordance with expectations set out in the Bank's Shariah governance policies and ensure its integration with the Bank's business and risk strategies;
 - q. To review and concur large credit applications approved by the Credit Committee, or to exercise its veto power to reject the approved credit applications or modify the terms of credits, with a view to mitigate undue excessive risk to the Bank;
 - r. To review and approve connected parties credit applications based on the recommendations from the Credit Committee;
 - s. To be responsible for the following areas in the governance risk:
 - i. To approve the Bank's overall risk strategy, including the risk appetite which would, singularly or cumulatively, have a material impact on the Bank's risk profile and oversee its implementation.
 - ii. To oversee the effective implementation of a sound and robust risk management framework including technology risk management framework (TRMF) and cyber resilience framework (CRF).
 - iii. To take appropriate steps to ensure that business and operational decisions are aligned with the risk appetite set by the Board.
 - iv. To review and affirm the Bank's risk appetite regularly to ensure that it continues to be relevant and reflects any changes in the Bank's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions.
 - v. To actively promote a consistent culture of risk awareness and risk management within the Bank.
 - vi. To set a clear expectations for senior management to ensure the integrity of the essential reporting and monitoring systems.
 - t. To ensure that there is a reliable and transparent financial reporting process within the Bank; and
 - u. To oversee the management of the Bank's compliance risk.

5. ROLES AND RESPONSIBILITIES

The roles of the Chairman and President/CEO are separated from the Chairman in ensuring balance of power and authority and to maintain effective supervision and accountability of the Board and Management.

5.1 Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The roles of the Chairman include:

- a. To ensure that appropriate procedures are in place to govern the Board's operation;
- b. To 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 directors receive the information on a timely basis;
- c. To encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed;
- d. To lead efforts to address the Board's developmental needs; and
- e. To ensure the smooth functioning of the Board, the governance structure and inculcating good compliance culture in the Board.

5.2 President/CEO

The President/CEO is the conduit between the Board and Management in ensuring the success of the Bank's governance and management functions.

The President/CEO, in leading senior management, bears primary responsibility over the business unit and day-to-day management of the Bank. The responsibilities of the President/CEO include:

- a. Implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- b. Establishing a management structure that promotes accountability and transparency throughout the Bank's operations, and preserves the effectiveness and independence of control functions;
- c. Promoting, together with the Board, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behavior;
- d. Regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to-
 - i. the performance, financial condition and operating environment of the Bank;
 - ii. internal control failures, including breaches of risk limits; and
 - iii. legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.
- e. Addressing, actual or suspected, breaches of regulatory requirements or internal policies in a timely and appropriate manner.

5.3 Independent Director

Independent Director should ensure a strong element of independence on the Board both in thought and actions. The effective participation of Independent Director is to enhance the accountability in the Board's

decision making process. The responsibilities of an Independent Director include the following:

- (1) To provide and enhance the necessary independence and objectivity on the Board;
- (2) To ensure effective checks and balance on the Board;
- (3) To mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Bank;
- (4) To constructively challenge and contribute its independent judgement on the development of business strategy, direction of the Bank and any matter of the Board; and
- (5) To ensure that adequate systems and controls to safeguard the interests of the Shareholder(s) and Bank are in place.

6. **MATTERS RESERVED FOR THE BOARD**

Matters that are reserved for the Board for its decision, supported by any recommendations and may be made from time to time by the Board Committees and/or Management include, amongst others, the following:

- a. Corporate strategy, business plans, annual budget and policies;
- b. New investments, divestments, mergers and acquisitions, material acquisition and disposal of assets of the Bank;
- c. Annual financial statements and the quarterly financial results;
- d. Appointment of new Directors, members of the Shariah Committee, President/CEO and other senior officers (except senior officers where the Board remains accountable for the assessments and decision on appointments by relevant designated committees) and Company Secretary based on recommendations from the Board Nominations and Remuneration Committee. The appointment of new Directors and President/CEO are subject to the approval of Bank Negara Malaysia and General Meeting of shareholders;
- e. Remuneration for each Director, member of senior management and other material risk taker based on the recommendations from the Board Nominations and Remuneration Committee; and
- f. All policies relating to Shariah matters upon consultation with Shariah Committee and to ensure implementation of such policies.

7. **BOARD COMPOSITION**

The Board is currently comprised of five (5) members, with one (1) Independent Non-Executive Chairman, two (2) Executive Directors and two (2) Independent Non-Executive Directors.

The Chairman of the Board shall be an Independent Non-Executive Director and has not served as CEO of the Bank in the past five (5) years.

Until and unless determined as per the Constitution of the Bank, the number of Directors shall not be less than three (3) and not more than ten (10) Directors.

Pursuant to BNM Policy Document on Corporate Governance, the majority of the Board must comprise of Independent Directors.

8. APPOINTMENT, RE-APPOINTMENT, RESIGNATION AND REMOVAL OF DIRECTORS AND PRESIDENT/CEO

The appointment or re-appointment of Directors and President/CEO of the Bank shall be approved by the Board upon recommendation of the Board Nominations and Remuneration Committee and require prior written approval from BNM.

The Bank shall notify BNM in writing of the appointment and re-appointment of its Chairman, Director and President/CEO, together with such documents or information as may be specified by BNM.

The tenure of appointment or re-appointment of Directors and President/CEO in the Bank shall be governed by the tenure as approved by BNM.

The tenure of Independent Directors of the Bank shall not exceed an aggregate of six (6) years from the date of their respective dates of first appointment. In the event that there are exceptional reasons which require an Independent Director, who has served for six (6) years or more, to be re-appointed, the approval by Members in general meeting shall be obtained prior to the Bank making a submission to BNM for approval in respect of his re-appointment. For the avoidance of doubt, "exceptional reasons" shall mean justifiable reasons as the Members think fit.

In any event, the maximum tenure of such Independent Director shall not exceed an aggregate of nine (9) years except under exceptional circumstances as may be approved by BNM.

The tenure of appointment of Directors and President/CEO are also subject to other relevant provisions in relation to the appointment, re-appointment, resignation, retirement, disqualifications and removal as set out in the Companies Act, FSA, BNM Policy Document, the Bank's Constitution and the relevant regulatory requirements.

Pursuant to the BNM Policy Document on Corporate Governance, all resignation and removal of Independent Directors from the Board can only take effect after the written approval has been obtained from BNM. This is to ensure the effective functioning of Independent Directors.

9. DUTY OF DIRECTOR TO DISCLOSE HIS INTEREST IN MATERIAL TRANSACTION OR MATERIAL ARRANGEMENT

A Director is required to declare to the Board under Section 221 of the Companies Act the nature and extent of his interest, whether directly or indirectly, in a material transaction or material arrangement with the Bank unless the Director or any person connected to him cannot be 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.

An interested Director must make disclosure by way of written notice to all Board members and the Company Secretary:

- (i) as soon as practicable after being aware of his interest in the material transaction or arrangement; and
- (ii) of the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.

Whether or not a declaration has been made under Section 221 of the Companies Act, a Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board. Where there is any change in the nature and extent of a Director's interest in a material transaction or material arrangement subsequent to the disclosure, the Director shall make a further disclosure of such changes.

10. BOARD COMMITTEES

The Board delegates certain responsibilities to the following Board Committees with defined terms of reference to assist the Board in discharging its responsibilities. The Chairman of the respective Board Committees reports to the Board on their deliberations, findings and recommendations and such reporting will be minuted in the Board minutes. The Bank shall provide the Board Committees with sufficient support and resources required to perform their duties or investigate any matter within their mandates.

(1) Board Audit Committee

The functions and responsibilities of the Board Audit Committee are set out in its Terms of Reference.

(2) Board Risk Management Committee

The functions and responsibilities of the Board Risk Management Committee are set out in its Terms of Reference.

(3) Board Nominations and Remuneration Committee

The function and responsibilities of the Board Nominations and Remuneration Committee are set out in its Terms of Reference.

11. ACCESS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE

The Directors of the Bank, shall both individually and collectively (save for instances where the Director has conflict of interest), have full and unrestricted access to all information and a right to seek independent professional advice as and when at the cost of the Bank in the furtherance of their duties as Director of the Bank. Independent professional advice shall include legal advice and the advice of accountants and other professional financial advisers on matters of law, accounting and other regulatory matters but shall exclude advice concerning the personal interests of the Director concerned.

12. BOARD MEETINGS AND SUPPLY OF INFORMATION

The Board shall meet regularly to review progress reports on the Bank's financial performance, approve strategies, business plans, risk appetite and significant policies as well to consider other businesses and proposals which require the Board's approval. Ad hoc Board meetings may also be called to deliberate and assess proposals or business issues that require the Board's immediate consideration and decision.

The quorum for Board meetings must be majority of the Board members to be present. No business shall be transacted unless a quorum is present either in person or participation via telephone conference or video conference or other communication facilities throughout the proceedings of the meetings. Proceedings of all meetings are minuted and signed by the Chairman of the meeting.

Resolutions, proposals and matters tabled for approvals at any meeting of the Board shall be decided by a simple majority of the Board members present and voting.

Board meetings may be held within or outside Malaysia via telephone conference, video conference or by such other communication equipment by means of which all persons participating in the meeting can hear and speak to each other. However, participation by Director in Board meeting by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberation.

Individual Director must attend at least 75% of the Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his behalf.

Minutes of all Board meetings are circulated to the Directors and approved by the Board at the subsequent meeting. The Board must ensure that clear and accurate minutes of Board meeting are maintained to record the decision of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes shall record whether any Director abstained from voting or excused himself from deliberating on a particular matter.

In the interim period between meetings, if need arises, matters shall be resolved by way of Directors' Circular Resolutions. A Directors' Circular Resolution in writing approved and signed by all Directors shall be valid and effectual as if it had been passed at the meeting of the Directors. The Directors' Circular Resolutions are to be kept by the Company Secretaries.

Unless otherwise determined by the Directors from time to time, seven days' notice of all Board meetings shall be given to all Directors. Any notice of meetings to be served shorter than seven days shall require simple majority agreement by the Board.

The Bank shall provide all Directors with information on a timely manner. This shall include a full agenda and comprehensive Board papers to be circulated to all Directors well in advance of each Board and Board Committee meetings. Senior management shall be invited to attend the Board and Board Committee meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board and Board Committees to make an informed decision.

13. BOARD EVALUATION

The Board through Board Nominations and Remuneration Committee 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 Board Nominations and Remuneration Committee to recognise the Board's strengths and identify the areas for professional development and process improvement for the Board, Board Committees and the Individual Directors.

The evaluation criteria and process are in accordance with the procedure that has been established, endorsed and approved by the Board.

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 Board Nominations and Remuneration Committee before its findings and recommendations tabled to the Board.

14. DIRECTORS' TRAINING AND CONTINUING EDUCATION

Continuous training is important for the Directors to gain insight and keep abreast with the development in the banking industry to further enhance their skills and knowledge in discharging their responsibilities effectively.

The Bank organises orientation program for newly appointed Directors that include visits to the Bank and meeting senior management/heads of departments/business units to familiarise themselves with the Bank's financials, businesses and operations, as well as the organisation structure, compliance and governance of risk.

Newly appointed Directors are required to attend the Financial Institutions Directors' Education Core Program. The Directors are also encouraged to attend at least one training/course/seminar relating to the relevant areas for each financial year.

The Directors are provided with the relevant training programs internally and/or externally on an on-going basis in areas relating to banking for them to keep abreast with the latest developments in the banking industry. The Directors receive briefings and are updated with relevant new laws, rules and regulations, risk management updates and changes in accounting standards at the Board and Board Committee meetings.

15. COMPANY SECRETARY

The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging his/her roles, the Company Secretary provide counsel to the Board on governance matters and facilitates effective information flows between the Board, Board Committees and senior management. The Company Secretary shall attend all Board and Board Committee meetings and are responsible for the accuracy and adequacy of record of proceedings of the Board and Board Committees and circular resolutions.

The appointment and removal of the Company Secretary is a matter for the Board to decide and approve to ensure that only qualified and suitable individuals are appointed. The Company Secretary must meet the fit and proper requirements relating to probity, personal integrity and reputation; and competence and capability and be assessed annually in accordance with the Bank's Policies and Procedures and BNM Policy Documents.

All Board members have unlimited access to the professional and services of the Company Secretary.

16. REVIEW OF THE BOARD CHARTER

The Board Charter has been adopted by the Board on 27 October 2016.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Bank and any new regulations and guidelines that may have an impact on the discharge of the Board's responsibilities.

This Board Charter was last revised on 25 March 2021.

The Board Charter is made available on the Bank's website at:
<http://www.smbc.co.jp/global/malaysia/index.html>