

## **HONG LEONG INVESTMENT BANK BERHAD**

### **- BOARD CHARTER**

The Board Charter sets out the mandate, responsibilities and procedures of the Board of Directors (“**Board**”) and Board Committees in accordance with principles of good governance set out in the policy documents and guidelines issued by Bank Negara Malaysia (“**BNM**”) and other relevant regulatory authorities.

The Board shall periodically review and update the Board Charter in tandem with any changes to regulatory requirements.

#### **1. Introduction**

- 1.1 The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank.
- 1.2 The Board elects a Chairman whose primary responsibility is the effective overall functioning of the Board.
- 1.3 The Board appoints a Chief Executive Officer (“**CEO**”) who is responsible for the business and day-to-day management of the Bank.

#### **2. Composition**

- 2.1 The number of Directors shall not be less than two (2) or more than twelve (12).
- 2.2 The Chairman of the Board shall not be an executive member of the Board and shall not have served as a CEO of the Bank in the past five (5) years.
- 2.3 The Board shall not have more than one (1) Executive Director, unless BNM approves otherwise in writing.
- 2.4 The Board shall have a majority of Independent Directors at all times.
- 2.5 Directors who are Board members of the Bank and its affiliates shall remain in the minority of the Board of the Bank if:
  - (a) the affiliate is a licensed Islamic bank;
  - (b) the affiliate is a holding company or subsidiary of the Bank that is itself a financial institution; or
  - (c) there are strong operational dependencies between the Bank and the affiliate. Operational dependencies are heightened where the relevant institutions operate under centralised or shared services arrangements, particularly in respect of control functions.

“Affiliate” refers to any corporation that controls, is controlled by, or is under common control with, the Bank.

### 3. Terms of Reference of the Board

The main responsibilities of the Board are to:

- 3.1 review from time to time and approve the Bank's corporate mission, statement and broad strategies, risk appetite, business plans and other initiatives which would have a material impact on the Bank's risk profile including financial soundness, reputation and key operational controls and ensure that there is an appropriate risk management framework and appropriate systems to manage these risks;
- 3.2 approve the internal capital target, Internal Capital Adequacy Assessment Process ("**ICAAP**") and Capital Management framework;
- 3.3 ensure that senior management discharges its responsibilities for the development and effective implementation of ICAAP;
- 3.4 review and approve specific investments and divestments;
- 3.5 review and approve material transactions before implementation;
- 3.6 ensure that the Bank has adequate management resources to achieve its objectives and to support the CEO and that a satisfactory plan for succession management is in place;
- 3.7 ensure that the Bank has in place procedures to enable effective communication with stakeholders;
- 3.8 promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank;
- 3.9 oversee and review the adequacy, integrity and implementation of the Bank's governance framework, internal control framework and management information framework, including systems for compliance with applicable laws, regulations, rules, directives and guidelines, and periodically review whether the frameworks remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- 3.10 promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour in the conduct of business;
- 3.11 promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- 3.12 ensure the integrity of the Bank's financial and non-financial reporting;
- 3.13 establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies;

### **3. Terms of Reference of the Board (cont'd)**

- 3.14 oversee the selection, performance, remuneration and succession plans of the CEO, control function heads, material risk takers and other members of senior management. The Board may delegate matters relating to appointments and assessment of senior management, control function heads and, material risk takers to Board Committees and/or CEO as the Board deems fit; and
- 3.15 approve and review periodically the remuneration policy of the Bank.  
The remuneration for each director, senior management and material risk takers must be approved by the Board annually; and
- 3.16 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.

### **4. Responsibilities of the Chairman**

The Chairman is responsible to lead and coordinate the activities of the Board and has the following specific responsibilities:

- 4.1 to conduct meetings of the Board and of shareholders;
- 4.2 to schedule Board meetings in a manner that enables the Board and its Committees to perform their duties effectively;
- 4.3 to prepare, in consultation with the CEO, other directors and Committee chairmen the agendas for the Board and Committee meetings;
- 4.4 to ensure all strategic and critical issues are considered by the Board and that directors receive the relevant information on a timely basis;
- 4.5 to encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- 4.6 to lead efforts to address the Board's developmental needs.

### **5. Responsibilities of the CEO**

The CEO is the senior executive of the Bank and is responsible for:

- 5.1 formulating the vision for the Bank and recommending policy and the strategic direction of the Bank for approval by the Board;
- 5.2 providing management of the day-to-day operations of the Bank;
- 5.3 acting as the spokesman of the Bank;
- 5.4 implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;

**5. Responsibilities of the CEO (cont'd)**

- 5.5 establishing a management structure that promotes accountability and transparency throughout the Bank's operations, and preserves the effectiveness and independence of control functions;
- 5.6 promoting, together with the Board, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour in the conduct of business;
- 5.7 addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- 5.8 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.

**6. Responsibilities of Individual Directors**

The responsibilities of Individual Directors broadly include the following:

- 6.1 to ensure there is a proper check and balance on the Board, taking into consideration the interest of all shareholders;
- 6.2 to improve governance standards and make significant contributions to the Bank's decision making;
- 6.3 to make assessment of information, reports or statement when the interests of Management, Bank and/or shareholders diverge; and
- 6.4 to keep all Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for own or others' benefit or advantage.

**7. Responsibilities of Non-Executive Directors**

In addition to Clause 6 above, the role of the Non-Executive Directors includes the following:

- 7.1 providing independent and objective (in the case of Non-Executive Directors who are Independent) views, assessment and suggestions in deliberations of the Board; and
- 7.2 constructively challenging and contributing to the development of the business strategies and direction of the Bank.

## **8. Board Committees**

The Board has established the following Board Committees whose compositions, functions, responsibilities and authority delegated by the Board are set out in the respective Board Committees' terms of reference per Appendix A:

- Board Audit and Risk Management Committee; and
- Nomination and Remuneration Committee.

Board Committees shall report, update and keep the Board informed on the significant issues, key deliberations, recommendations and decisions on delegated matters.

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

## **9. Matters Reserved & Delegated by the Board**

The responsibilities and procedures of the Board and the Board Committees are set out in their respective Terms of Reference.

Matters reserved for the Board's decision include the following:

- 9.1 business direction and key strategies;
- 9.2 new or changes to the Strategic Business Plans;
- 9.3 mergers and acquisitions;
- 9.4 expansion/entry into new markets and regions;
- 9.5 corporate restructuring/reorganisation;
- 9.6 set-up of new subsidiaries; joint venture partnerships;
- 9.7 new investments/acquisitions/disposals of significant assets; and
- 9.8 any other matters deemed necessary by the Board.

The Board may delegate the authority on any of the above matters to the Board Committees, CEO, management committees or senior management as it deems fit.

## **10. Proceedings of Directors**

- 10.1 The proceedings of Directors, where applicable, shall be governed by the provisions of the Constitution of the Bank and the relevant laws and regulations regulating the proceedings of Directors.
- 10.2 A 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.

**10. Proceedings of Directors (cont'd)**

- 10.3 Attendance at a Board meeting, by way other than physical presence, shall remain the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.
- 10.4 At least half of the number of the Board members shall form a quorum.
- 10.5 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.
- 10.6 The Board must ensure that clear and accurate minutes of Board meetings are maintained to record the decisions of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.

**11. Conflict of Interest**

The Bank has established a Directors' Conflict of Interest Policy.

**12. Director's External Commitments**

Directors shall devote sufficient time to carry out their responsibilities. All Directors are expected to commit time as and when required to discharge his/her duties and responsibilities, besides attending meetings of the Board and Board Committees.

Directors shall notify the Board Chairman before accepting any new directorships.

A Director of the Bank shall not hold more than five directorships in public listed companies.

**13. Director's Access to Advice**

The Board may seek advice from third party experts on any matter deliberated by the Board, where necessary, at the Bank's expense, in consultation with the Chairman of the Board or the CEO of the Bank.

**14. Review of Board Charter**

This Board Charter is subject to periodic review by the Board or at least once annually.

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**HONG LEONG INVESTMENT BANK BERHAD  
- BOARD AUDIT AND RISK MANAGEMENT COMMITTEE****TERMS OF REFERENCE****Constitution**

The BARMC of the Bank has been established since 4 October 2012.

The BARMC is established to support the Board in discharging the following responsibilities:

1. Oversee Senior Management's implementation of the Bank's governance framework and internal control framework/policies.
2. Oversee that Senior Management meets the expectations on risk management as set out in the BNM Policy Document on Risk Governance.
3. Oversee that Senior Management has a reliable and transparent financial reporting process within the Bank by providing independent oversight of internal and external audit functions.
4. Oversee Senior Management's implementation of compliance risk management.
5. Promote the adoption of sound corporate governance principles set out in the BNM Policy Document on Corporate Governance within the Bank.
6. Consider environmental, social and governance (ESG) issues for the Bank when reviewing risk management policies as well as oversee progress against goals and targets for addressing climate related issues.

**Composition**

The BARMC shall:

- (a) have at least three directors;
- (b) comprise only non-executive directors, with a majority of them being independent directors;
- (c) be chaired by an independent director who is not the Chairman of the Board; and
- (d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the BARMC.

**Secretary**

The Secretary(ies) to the BARMC are the Company Secretary(ies) of the Bank.

**Terms of Reference****External Audit**

1. To make recommendations to the Board on the appointment, removal and remuneration of the external auditor.

2. To review the terms of engagement and the audit plan prior to engaging the external auditor and/or re-appointment of the external auditor.
3. To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
4. To review the assistance given by the officers of the Bank to the external auditor.
5. To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the BARMC on significant matters.
6. To review the report of the external auditor, including any significant matters and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
7. To review third-party opinions on the design and effectiveness of the Bank's internal control framework.

### **Financial Reporting**

1. To review the accuracy and adequacy of the chairman's statement (if any) in the directors' report and corporate governance disclosures of the Bank.
2. To review the interim financial reports and annual financial statements of the Bank and its subsidiaries before submission to the Board, focusing particularly on changes in accounting policies and practices; significant adjustments arising from the audit; the going concern assumptions; and compliance with accounting standards and other legal requirements.
3. To note the update on the Bank tax affairs, management of tax compliance risk and tax matters that may have a material impact to the Bank.

### **Related Party/Connected Party Transactions**

1. To review and update the Board on any related party transactions that may arise within the Bank.
2. To review and recommend for Board's approval, any credit transactions and exposure with connected parties.
3. To monitor compliance with the Board's conflict of interest policy.

### **Internal Audit**

1. To review and approve the adequacy of the internal audit scope, procedures and plan.
2. To assess the performance and effectiveness of the internal audit function by an established mechanism to satisfy itself that the internal audit function is effective.



3. To review the adequacy and effectiveness of internal controls and risk management processes.
4. To review reports and significant findings by Internal Audit Department, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
5. To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
6. To support the Board in meeting the expectations on Internal Audit management as set out in BNM's "Guidelines on Internal Audit Function of Licensed Institutions".
7. To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Internal Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes regular review to determine whether the internal audit function has appropriate standing within the Bank to undertake its activities independently and objectively.
8. To engage privately with the Head of Internal Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Internal Audit to discuss issues faced by the internal audit function.
9. To review the Audit Charter and recommend for Board's approval.
10. To review any significant disagreement between the Head of Internal Auditor and any member(s) of the Senior Management team where such disagreement may have adverse impact on the audit process or findings, and to recommend resolutions of such disagreement if they remain unresolved within a reasonable period of time.
11. To establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of internal audit.
12. To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialised areas.
13. Other audit functions as may be agreed to by the BARMC and the Board.

### **Risk Management**

1. To review Senior Management's activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, operational risk, IT risk and environmental, social and governance risk.

2. To review Senior Management's reporting to the Board on measures taken to:
  - (a) Identify and examine principal risks faced by the Bank.
  - (b) Implement appropriate systems and internal controls to manage these risks.
3. To review the major risk management strategies, policies and risk tolerance for Board's approval.
4. To review the overall framework on ICAAP, material updates relating to recovery planning, annual risk appetite and Capital Management Plan.
5. To review the development and effective implementation of the ICAAP.
6. To review the stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
7. To review the periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
8. To review the adequacy and effectiveness of the internal controls and risk management process.
9. To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
10. To review risk management function's infrastructure, resources and systems and to ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities.
11. To receive and review reports from pertinent management committees.
12. To review Senior Management's implementation of risk management as set out in the BNM Policy Document on Risk Governance, Approach to Regulating and Supervising Financial Groups, and Corporate Governance.
13. To review and advise on the appointment, remuneration, removal and redeployment of the CRO.
14. To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
15. To review Senior Management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
16. Other risk management functions as may be agreed to by the BARMC and the Board.

## Compliance

1. To assist the Board in the oversight of the management of compliance risk by:
  - a) reviewing compliance policies and overseeing Senior Management's implementation of the same;
  - b) reviewing the compliance function and the position of the CCO to ensure the compliance function and the CCO are provided with appropriate standing, authority and independence;
  - c) discussing and deliberating compliance issues regularly and oversee that such issues are resolved effectively and expeditiously;
  - d) reviewing annually the effectiveness of the Bank's overall management of compliance risk, having regard to the assessments of Senior Management and internal audit, as well as interactions with the CCO;
  - e) updating the Board on all significant compliance matters, including providing its views on (a) to (d) above.
2. In relation to the role of the CCO, support the Board in meeting the expectations on compliance management as set out in the BNM Policy Document on Compliance by:
  - a) reviewing and advising on the appointment, remuneration and termination of the CCO;
  - b) ensuring that the CCO has sufficient stature to allow for effective engagement with the CEO and other members of Senior Management;
  - c) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
  - d) ensuring that the CCO is supported with sufficient resources, including competent officers, to perform his duties effectively;
  - e) where the CCO also carries out responsibilities in respect of other control functions, the BARMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
3. Other compliance functions as may be agreed to by the BARMC and the Board.

## Whistleblowing

1. In relation to the Bank's Whistleblowing Policy and Procedures:
  - a) oversee the implementation and effectiveness of the Bank's Whistleblowing Policy and Procedures; and

- b) exercise its powers and carry out its responsibilities as set out under the Bank's Whistleblowing Policy and Procedures.

### **Group Governance**

1. Noted that:
  - (a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within the HLFG Group.
  - (b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the Group.
  - (c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation Group-wide.
  - (d) The respective subsidiaries' Board and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiaries and ensure that entity specific risks are adequately addressed in the implementation of Group-wide policies.
2. The Bank's BARMC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the Bank and to check that the entity specific risks are adequately addressed in the implementation of Group-wide policies.

### **Authority**

The BARMC is authorised by the Board to:

1. review any activity of the Bank within its Terms of Reference;
2. seek any information it requires from any Director or member of Senior Management, and all employees are directed to co-operate with any request made by the BARMC, including but not limited to providing the BARMC with sufficient support and resources required to investigate any matter within the mandates of the BARMC; and
3. obtain independent legal or other professional advice as it considers necessary.

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

### **Meetings**

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The GMD/CEO, CRO, CCO, Head of Internal Audit, CFO, employees and external auditor may be invited to attend the BARMC meetings, whenever required.

At least twice a year, the BARMC will have separate sessions with the external auditor without the presence of Executive Directors and the Senior Management.

Issues raised, discussions, deliberations, decisions and conclusions made at the BARMC meetings are recorded in the minutes of the BARMC meetings. A BARMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the BARMC meeting where the material transaction or material arrangement is being deliberated by the BARMC.

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

### **Revision of the Terms of Reference**

Any revision or amendment to the Terms of Reference, as proposed by the BARMC, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference which shall be considered duly revised or amended.

### **Definitions**

<b>“BARMC”</b>	means the Board Audit and Risk Management Committee
<b>“BNM”</b>	means Bank Negara Malaysia
<b>“Board”</b>	means the Board of Directors
<b>“Bank” or “HLIB”</b>	means Hong Leong Investment Bank Berhad
<b>“BNM Policy Document”</b>	means the policy document published by BNM
<b>“CCO”</b>	means the Chief Compliance Officer/Head of Compliance
<b>“CFO”</b>	means the Chief Financial Officer
<b>“CRO”</b>	means the Chief Risk Officer
<b>“GMD/CEO”</b>	means the Group Managing Director/Chief Executive Officer
<b>“Group”</b>	means Hong Leong Financial Group Berhad and its subsidiaries
<b>“HLFG”</b>	means Hong Leong Financial Group Berhad

<b>“ICAAP”</b>	means Internal Capital Adequacy Assessment Process
<b>“Senior Management”</b>	means the CEO, CFO and Heads of Departments of HLIB
<b>“Whistleblowing Policy and Procedures”</b>	means the Whistleblowing Policy and Standard Operating Procedures

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**HONG LEONG INVESTMENT BANK BERHAD**  
**- NOMINATION AND REMUNERATION COMMITTEE (“NRC”)****TERMS OF REFERENCE**

1. The nomination responsibilities of NRC are as follows:
  - 1.1 Support the Board in carrying out its functions in the following matters concerning the board, senior management and company secretary(ies):
    - (a) appointments and removals;
    - (b) composition;
    - (c) performance evaluation and development; and
    - (d) fit and proper assessments.
  - 1.2 Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of Chief Executive Officer.
  - 1.3 Review and recommend to the Board all Board and Board Committees appointments, re-appointments and removals including of the Chief Executive Officer.
  - 1.4 Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
  - 1.5 Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.
  - 1.6 Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
  - 1.7 Ensure that the Board receives an appropriate continuous training programme.
2. The remuneration responsibilities of NRC are as follows:
  - 2.1 Recommend to the Board the framework and policies governing the remuneration of the:
    - Directors;
    - Chief Executive Officer;
    - Senior management officers; and
    - Other material risk takers.
  - 2.2 Review and recommend to the Board for approval the specific remuneration packages of executive directors and the Chief Executive Officer.
  - 2.3 Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.