

MAYBANK ISLAMIC BERHAD

BOARD CHARTER

As at 28 November 2023

THE MAYBANK ISLAMIC BOARD CHARTER

1. INTRODUCTION

The Board of Directors (“Board”) acknowledges the importance of developing and maintaining a framework of corporate governance that is robust and sound, to promote a culture of integrity, transparency and end-to-end compliance with Shariah throughout Maybank Islamic Berhad (“the Bank”). In this regard, all Directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern Directors’ conduct and their relationship with the Bank’s stakeholders.

The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the organisation.

The Board Charter would be reviewed annually by the Board to ensure its relevance and effectiveness in the light of the ever changing environment in which the Bank operates.

2. BOARD MANUAL

The Board has in place a Board Manual (the “Manual”), which acts as guidance to the Board in discharging their duties effectively. The Manual highlights the guiding principles and matters relating to Board organisation, responsibilities, and relevant internal policies and procedures, including those mentioned in this Board Charter.

3. ROLES AND RESPONSIBILITIES OF THE BOARD

3.1 The business and affairs of the Bank are managed under the direction and oversight of the Board, which also has the responsibility to approve and periodically review the overall strategies, business, organisation and significant policies of the Bank. The Board is also responsible in understanding the major risks faced by the Bank, setting acceptable levels of risk taking and ensuring that the Senior Management takes the steps necessary to identify, measure, monitor and control these risks. The Board also sets the Bank’s core values and adopts proper standards to ensure that the Bank operates with integrity and complies with the relevant rules and regulations as well as ensuring that an adequate and effective system of internal controls was established and maintained for the Bank.

3.2 Among the primary obligations of the Board are as follows:

- (a) To approve the Bank’s strategy, business plans and the annual budget together with its half yearly review as well as relevant policies;
- (b) To ensure that the strategic plan of the Bank supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability including the corresponding opportunities and ESG related risks;

THE MAYBANK ISLAMIC BOARD CHARTER

- (c) To ensure the effective design and implementation of sound governance framework, internal controls, compliance and risk management systems as well as to ensure that the Bank's overall operation is in compliance with Shariah principles;
- (d) To approve and/or review the organisational structure and the recruitment, appointment, promotion, confirmation, termination of service as well as succession plan of the Senior Management;
- (e) To determine the general composition of the Board in order to ensure that the Board consists the requisite diversity of skills, experience, gender, qualification and other core competencies required;
- (f) To approve and review the remuneration policy of the Bank including to approve the remuneration of the Directors, Shariah Committee, Senior Management and other material risk takers;
- (g) To oversee the performance of the Senior Management and to ensure that the Senior Management is monitoring the effectiveness of the internal control system;
- (h) To appoint committees of the Board and delegates any of its powers to such committees as the Board thinks fit;
- (i) To approve the Bank's financial statements (and ensures the reliability of the same) as well as the interim dividend and recommends the final dividend to the shareholder and the application of Dividend Reinvestment Plan thereto (where applicable);
- (j) To approve policies pertaining to corporate image, brand management, community relations, investor relations and shareholder communications programs and to promote timely and effective communication with the regulators;
- (k) To ensure that the Bank has a beneficial influence on the economic well-being of the communities within which it operates in the spirit of Maqasid Al-Shariah;
- (l) To ensure that the Board is supported by a suitably qualified and competent Company Secretary;
- (m) To ensure that the Board members have access to appropriate education and training programmes to keep abreast of the latest development in the industry and as may be prescribed by the regulatory authorities from time to time;

THE MAYBANK ISLAMIC BOARD CHARTER

- (n) To ensure that the corporate governance disclosures are accurate and clear; and
- (o) To have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of the business, affairs or activities of the Bank.

4.0 RESERVED MATTERS FOR BOARD'S DECISION

The Board also has a formal schedule of matters reserved for its decision, which includes matters related to:

- (a) the strategies, business plans and annual budget for the Bank;
- (b) the conduct and the performance of the Bank's businesses;
- (c) principal risks affecting the Bank's business;
- (d) the succession plan and talent management plans for the Bank;
- (e) the appointment, remuneration and compensation of Senior Management;
- (f) the changes to the corporate organisation structure;
- (g) the appointment of Directors and Shariah Committee members and their emoluments and benefits in accordance with the relevant statutes;
- (h) the policies relating to corporate branding, public relations, investor relations and shareholder communication programmes; and
- (i) the Bank's strategies on promotion of sustainability focusing on Maqasid Al-Shariah in line with the environmental, social and governance (ESG) aspects.

5. BOARD COMPOSITION

The composition of the Board reflects a good measure of objectivity and impartiality. The presence of Independent Directors on the Board (who form the majority members of the Board) carry significant weight in the Board's deliberation and decision-making process. Salient factors which have been taken into account in determining the Board's composition are as follows:

5.1 Board Size

The number of Directors on the Board shall not be less than three (3).

THE MAYBANK ISLAMIC BOARD CHARTER

5.2 The Chairman

The Chairman must be a Non-Executive Director.

5.3 Independent Director

The Independent Non-Executive Directors shall form the majority of the Board's composition.

5.4 Executive Director

The Bank shall not have more than one Executive Director on the Board.

5.5 Senior Independent Director

The Bank leverages on the Senior Independent Director appointed for the Maybank Group, to whom concerns of shareholders and stakeholders may be conveyed.

5.6 Director in Charge of Whistleblowing Policy

The Bank leverages on Maybank Group's Whistleblowing Governance Committee chaired by an independent non-executive director who is responsible in ensuring the effective implementation of Maybank Group's Whistleblowing Policy.

5.7 Director in Charge of Oversight Over the Bank's Management of Banking Fraud and Data Breach Incidents

The Bank leverages on the appointed Senior Independent Non-Executive Director of Maybank to strengthen oversight over the Bank's management of banking fraud and data breach incidents.

6. SEPARATION OF ROLES AND RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE CEO

The roles and responsibilities of the Chairman and the Bank's Chief Executive Officer ("CEO") are separated with a clear division of responsibilities, defined, documented and approved by the Board, in line with best practices to ensure appropriate supervision of the Management. This distinction allows for a better understanding and distribution of responsibilities and accountabilities. The respective roles of the Chairman and the CEO are set out below:

6.1 The Role of the Chairman

The Chairman leads the Board and is also responsible for the effective performance of the Board. Working together with the Board, the Chairman ensures among others that:

- (a) The business activities driven by the Management are aligned with the Bank's policy framework and strategies and consistent with the Bank's objectives and aspirations;

THE MAYBANK ISLAMIC BOARD CHARTER

- (b) The proceedings of the Board are conducted orderly, where healthy debate on issues being deliberated is encouraged to reflect an appropriate level of skepticism and independence;
- (c) The succession planning programme for the Board and Senior Management are at the appropriate level of effectiveness; and
- (d) The Board's decisions are reached by consensus (and failing this, reflect the will of the majority), and any concern or dissenting view expressed by any director on any matter deliberated at meetings of the Board, or any of its Committees, as well as the meetings' decisions, will accordingly be addressed and duly recorded in the relevant minutes of the meeting.

The Chairman also cultivates a healthy working relationship with the CEO and provides the necessary support and advice as appropriate.

6.2 The Role of the CEO

The CEO is delegated certain responsibilities by the Board and is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. His primary responsibilities include the following:

- (a) Mapping the medium to longer term plans for Board approval, and is accountable for implementing the policies and decisions of the Board;
- (b) Coordinating the development and implementation of business and corporate strategies, specifically by making sure that they are carried through to their desired outcomes, especially in the institution of remedial measures to address identified shortcomings;
- (c) Developing and translating the strategies into a set of manageable goals and priorities, and setting the overall strategic policy and direction of the business operations, investment and other activities based on effective risk management controls;
- (d) Ensuring that the financial management practice is performed at the highest level of integrity and transparency for the benefit of the shareholders and that the business and affairs of the Group are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- (e) Ensuring that social and environmental factors are not neglected;

THE MAYBANK ISLAMIC BOARD CHARTER

- (f) Developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees, and providing effective leadership to the Group organization; and
- (g) Ensuring high management competency as well as the emplacement of an effective management succession plan to sustain continuity of operations.

7. BOARD APPOINTMENTS

A formal and transparent procedure is in place for the appointment of new Directors to the Board, the primary responsibility of which has been delegated to the Nomination and Remuneration Committee (“NRC”). In the course of its duties, the NRC is guided by the Maybank Group’s Policy on the Nomination Process for the Appointment of Chairman, Director and CEO of Licensed Institutions in the Maybank Group which sets out a clear and transparent nomination process, involving the following four stages:

- (i) Stage 1 - Identification of candidates;
- (ii) Stage 2 - Engagement with candidates;
- (iii) Stage 3 - Deliberation by the NRC; and
- (iv) Stage 4 - Recommendation to the Board.

8. LIMITS ON EXTERNAL COMMITMENTS

8.1 Limitation for Directors

Directors are not allowed to sit on the boards of more than five (5) listed companies and must hold less than fifteen (15) directorships in non-public listed companies, to ensure that their commitment, resources and time are more focused, enabling them to discharge their duties effectively.

8.2 Consultation Prior to External Appointments

The Board values the experience and perspective that the Non-Executive directors gain from service on the boards of other companies, organisations or associations. However, prior to the acceptance of any relevant external appointments such as directorship in listed companies, organisations or other associations, Directors should first consult the Chairman on such proposed appointment. In any event, such commitments should not:

- (a) cause a conflict of interest for the Director;
- (b) affect the Director’s independence;
- (c) have potential reputational consequence to the Bank; and/or
- (d) place demands on the Director’s time that could hinder his ability to attend Board meetings and to discharge his responsibilities as a Director to the Bank.

THE MAYBANK ISLAMIC BOARD CHARTER

8.3 Limitation for CEO

In addition to the maximum number of five (5) directorships that the CEO is allowed to hold within Maybank Group, Bank Negara Malaysia (“BNM”) has further issued guidelines regulating the directorships held by the CEO outside of the Bank, whereby the CEO is only allowed to be a director of certain institutions/organisation which BNM has earlier identified. Considering the role of the CEO as a “brand agent” of the Bank where his involvement in various important institutions indirectly enhances the Bank’s profile both locally and globally, the Board has agreed that the CEO’s membership in such institutions/organisations should be limited to fifteen (15).

9. POLICY ON TENURE OF DIRECTORSHIP

9.1 The appointment of members on the Board, as well as their tenure as a Director, are subject to the approval of BNM (the “Approved Tenure”). Subject to the Board’s annual evaluation of a member whose Approved Tenure is about to expire, and upon due consideration of the Bank’s own policy on the tenure of directorship as described below, the Bank may apply to BNM for an extension of the said Approved Tenure, so that such Director may continue to remain as a member of the Board.

9.2 The limitation on tenure of Independent Non-Executive Director (“INED”) is upon completion of a cumulative period of nine (9) years. Upon completion of the nine (9) year tenure, an INED may, subject to the NRC’s recommendation and the Board’s approval, continue to serve as a Non-Independent Non-Executive Director from the ninth (9th) year onwards.

9.3 Further to this, the Bank’s Constitution states the following:

- (a) In every year, one-third of the Directors, (or the number nearest to one-third) who has been longest in office, shall retire at the next following Annual General Meeting of the Bank; and
- (b) A Director who has been appointed by the Board during the year shall only hold office until the next Annual General Meeting of the Bank.

Directors retiring or stepping down as above shall be eligible for re-election by the shareholder at the Annual General Meeting of the Bank.

10. SUCCESSION PLAN

Appointments to the Board are not considered in isolation but as a component of the Board’s succession plan. In this context, the limitations on tenure of directorship as described in para 8 above provides the Board with the opportunity to consider and reassess its succession plan periodically, not only to ensure continuity in meeting its long term goals and objectives but also to affirm that the knowledge, experience and skill sets of its members would be well suited to meet the demands of the ever changing landscape of the financial industry.

THE MAYBANK ISLAMIC BOARD CHARTER

In furtherance thereof, the curriculum vitae of prospective candidates would from time to time, be discreetly obtained from various internal and external sources (including institutions which maintain salient details on directors with financial industry background) for further review by the NRC and the Board, to ensure that the Board has a steady pool of talent to choose from whenever there is a need to appoint additional members on the Board or otherwise, to replace a member who intends to retire or resign from the Board.

11. BOARD PROCESSES

11.1 Frequency of Meetings

The Board meetings are held at least eight (8) times in each financial year and a special Board meeting may be convened on urgent matters in between scheduled meetings. Directors must attend at least 75% of Board meetings held in the financial year.

11.2 Quorum and Voting

Pursuant to the Bank's Constitution, a quorum for the Board meeting shall be constituted by the presence of majority of the total members of the Board. Decisions shall be made by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote.

The Constitution also provides for members to attend a Board meeting via conference telephone, video, electronic or such other communication facilities, which allow all participants in the meeting to communicate with each other simultaneously and instantaneously.

11.3 Quality of Meeting Materials

The Chairman, with the assistance of the Company Secretary, takes on the responsibility for ensuring that the members of the Board receive accurate, timely and clear information in respect of the Bank's financial and operational performance to enable the Board to make sound decision and provide the necessary advice.

Prior to each Board meeting, an agenda together with comprehensive reports for each agenda item to be discussed will be forwarded to each Director at least five (5) clear days before the scheduled meeting to enable the Directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting.

In response to technological advancement in the digital space, the Board has taken the initiative to implement paperless board meetings where board papers are uploaded onto a secured platform, and accessible via tablet devices.

THE MAYBANK ISLAMIC BOARD CHARTER

11.4 Minutes of Meetings

The Directors (through the Company Secretary) shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Board. The minutes of meetings shall accurately record decisions taken and the views of individual Directors, where appropriate. The minutes must also indicate whether any Director has abstained or excused himself from deliberating on a particular matter. The minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting. All resolutions and minutes of the proceedings of the Board meetings are kept at the Bank's registered office.

11.5 Board Time Without Management and / or Non-Independent Non-Executive Directors ("NINED")

In line with best practice, at the end of each Board meeting, a Board session without the Management is held. The purpose is to enable the Chairman to engage with the Non-Executive Directors on issues that they would prefer to raise without the presence of the CEO as well as a round-up session on the just concluded Board meeting.

Further to the session, the Chairman may follow up with the CEO on issues raised by the Board which requires his follow-up.

At each Board meeting, some time may also be set aside for all INEDs to discuss any matters of concern relating to the Bank without the presence of NINEDs and the Management (the "INED Session"). This session is to be chaired by the Chairman, who is an INED or in his absence, by any other member appointed from among the INEDs. Upon the request of the Chairman of the INED Session, the Company Secretary may attend this session to assist the said Chairman.

11.6 Board Annual Outline

The Board Annual Outline highlights to the Board, the relevant Board Committees as well as the Management, the subject matters to be discussed for the financial year in order to facilitate better planning and for greater time effectiveness. The subject matters included in the Board Annual Outline cover the following broad topics:

- (a) Strategy
- (b) Governance
 - (i) Risk Management
 - (ii) Compliance

The Board Annual Outline will be reviewed at every Board meeting and updated, where appropriate.

THE MAYBANK ISLAMIC BOARD CHARTER

11.7 Board Satisfaction Index

Performed every year, the Board Satisfaction Index is a mechanism used to ensure continuing adequate support is provided by the Company Secretary to the Board, to assist Directors in discharging their duties effectively. The areas of assessment cover transactional and operational efficiency, which include the quality of the minutes of the Board and Board Committees, of papers and meeting arrangements, and of training and knowledge management, as well as advisory services on matters concerning Directors' duties, such as disclosure of interests and trading restrictions.

12. BOARD COMMITTEES

Delegation of certain governance responsibilities has been undertaken by the Board in favour of its Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board. The Board reserves the right to nominate a subject matter expert as a representative of the Board to each of the Board Committees.

With the exception of the Board Investment Committee ("BIC"), the Board under the leverage model, delegated certain of its governance responsibilities to the following Board Committees of Maybank. Nevertheless, the final decisions are made by the Board of Maybank Islamic. The following is a brief description of the Board Committees:

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| (i) Nomination & Remuneration Committee | To recommend to the Board, the appointment of new members on the Board and Shariah Committee including the conduct of annual evaluation of their performance/skill sets, both individually and collectively, as well as to evaluate recommendations for promotion and remuneration and compensation policies for executives in key management positions. |
| | To administer the Employee Share Grant Plan pursuant to the By-Laws of the Employee Share Grant Plan. |
| (ii) Audit Committee of the Board | Review the adequacy of the internal audit scope and plan, functions and resources. |
| (iii) Risk Management Committee | To review and approve risk management strategies, risk frameworks, risk policies, risk tolerance and risk appetite limits. |
| (iv) Credit Review Committee | To review/veto financings exceeding the Maybank Group Management Credit Committee's discretionary power. |

THE MAYBANK ISLAMIC BOARD CHARTER

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| (v) Compliance Committee of the Board | To ensure the Group's compliance risk management is given the needed attention at the highest level and to ensure regulatory compliance risk is effectively managed to support the Group's business growth in line with Group's aspiration and risk appetite. |
| (vi) Board Investment Committee | To assist the Board in performing the oversight functions and provide recommendations in respect of the investment strategies, management and performance of the investment account. |
| (vii) Board Sustainability Committee | To oversee sustainability strategy, governance structure, priorities and targets, integration of sustainability considerations across the Group. |

13. SHARIAH COMMITTEE

The Bank is required to establish a Shariah Committee which is responsible to provide advice to the Board and Management in ensuring that the Bank's aims and operations, business, affairs and activities are in compliance with Shariah. The roles and responsibilities of the Shariah Committee are set out in its Terms of Reference. The Board must 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. However, the Board bears the ultimate responsibility and accountability on the overall governance of the Bank.

14. COMPANY SECRETARY

Maybank Islamic is required to retain the services of at least one Company Secretary and the appointment and removal of company secretary must be approved by the Board. Besides being responsible for supporting the effective function of the Board, the Company Secretary also advises the Board and the Senior Management on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board, as well as the best practices of governance. The Company Secretary also facilitates effective flow of information between the Board, the Board Committees and the Senior Management.

The expectations of the regulators in respect of the function and responsibilities of the Company Secretary are as follows:

- (i) to keep confidential, the affairs of the Maybank and its Senior Management at all times. If the Company Secretary; and
- (ii) not to have competing time commitments that may impair his ability to discharge his duties effectively. Unless BNM approves otherwise in writing, the Company Secretary must devote the whole of his professional time to the affairs of Maybank which he represents. Nevertheless, this would not preclude the said Company Secretary from carrying out other responsibilities for Maybank, where these responsibilities do not conflict with his responsibilities to the Board.

THE MAYBANK ISLAMIC BOARD CHARTER

More generally, the roles and responsibilities of a Company Secretary include, but are not limited to the following:

- (a) To manage all Board and Board committee meeting logistics, attend and record minutes of all such meetings and facilitate Board communications;
- (b) To advise the Board on its roles and responsibilities;
- (c) To facilitate the orientation of new Directors and assist in Directors training and development;
- (d) To advise the Board on corporate disclosures and compliance with relevant regulations and requirements;
- (e) To communicate the decisions of the Board for Senior Management's attention and further action;
- (f) To manage processes pertaining to the Annual General Meeting;
- (g) To monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- (h) To serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

15. CONTINUING BOARD PROCESSES

The following are among the processes performed by the Board on a periodic basis:

15.1 Induction Programme for New Directors

The Bank has established a comprehensive induction programme to ease new Directors into their new role and to assist them in their understanding of the management and operations of the Bank. All newly-appointed Directors are required to undergo a comprehensive induction programme coordinated by the Company Secretary with the objective of providing the general overview of the Bank's strategic business plan, insight into main business sectors, overview of the terms of reference and activities of the Board and Board Committees and the related internal processes as well as Directors' duties under the relevant rules and regulations.

15.2 Training for Directors

All newly appointed Directors are required to complete the Core Module of the programme for Directors of financial institutions conducted by the Financial Institutions Directors' Education (FIDE), within one (1) year of their respective appointments.

THE MAYBANK ISLAMIC BOARD CHARTER

Additionally, all newly appointed Board members are also required to complete the Islamic Finance for Board Programme (IF4BOD) conducted by the International Shariah Research Academy in Islamic Finance within two (2) years of their respective appointments.

Apart from the abovementioned training programme, the Board bears the responsibility of ensuring that they are also adequately trained and possess the skill and knowledge necessary to discharge their duties and responsibilities as Directors.

15.3 Board Evaluation & Assessment

The NRC has established clear criteria, processes and procedures to assess the performance and effectiveness of the Board, Board Committees and individual Directors to ensure effective decision-making of the Board (the “BEE Exercise”). The BEE Exercise is conducted annually to objectively assess the performance and effectiveness of the Board. The NRC also recognises the value of periodically appointing independent experts to conduct the BEE Exercise to assist in and lend objectivity to the conduct of the said exercise.

15.4 Remuneration

The Bank has established a Remuneration Framework for all Non-Executive Directors, encompassing the recommended remuneration structure for all Non-Executive Directors of the Bank. The Remuneration Framework is subject to annual review by the Board.

The Remuneration Framework is intended to pursue the following key objectives:

- (a) To enable the Board to attract highly competent and qualified talents at regional and international level to serve the Board as it continues its journey towards becoming a regional financial services leader;
- (b) To align with the expertise, skills, work experience, increase in risks and responsibilities as well as time contributed by different Directors at the same time integrating the diverse geographical locations where the Bank operates to ensure a different remuneration mechanism that is competitive with its regional peers towards becoming a truly regional bank; and
- (c) To ensure that the cost of governance is appropriately linked to the Bank’s performance.

THE MAYBANK ISLAMIC BOARD CHARTER

16. DECLARATION OF INTEREST

A conflict of interest occurs when a Director's personal interest conflicts with his responsibility to act in the best interest of the Bank. These conflict situations present the risk that the Directors might make a decision based on or affected by these influences rather than in the best interest of the Bank. In general, when a Director encounters such a situation, his obligation would be:

- (i) to declare to such interest to the Board; and
- (ii) not to participate in deliberations and vote on subjects/transactions in which he has an interest in. The Directors Conflict of Interest Policy ("CI Policy") addresses the issue of Directors conflict of interest in terms of transactions (that they may have an interest in) as well as benefits (that they may receive from third parties) during their tenure on the Board. Among others, the CI Policy sets out the processes and procedures for the Directors to declare actual or potential conflict of interest and the obligation of the Board to address the same in accordance with Malaysian regulations.

The Board is also governed by Maybank Group Credit Transactions and Exposures with Connected Parties and Maybank Group Anti-Bribery & Corruption Policy and Procedures.

17. SUPPLY OF INFORMATION TO THE BOARD

The Board has full and unrestricted access to all information pertaining to the respective businesses and affairs of the Bank to enable it to discharge its duties effectively. Directors also have full and unrestricted access to the advice and services of the Senior Management and the Company Secretary.

Pursuant to the Policy and Procedure on Access to Independent Professional Advice, Senior Management and Company Secretary by Directors of Maybank Islamic Berhad, the Board has access to advice from third party experts or independent professionals on any matters deliberated by the Board and the costs of such advice shall be borne by the Bank.

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