



BANK PERTANIAN MALAYSIA BERHAD

Registration No. : 200801010522 (811810-U)

BOARD CHARTER
(Incorporating amendments as at 30 April 2020)

BOARD CHARTER

CONTENTS

1. INTRODUCTION
2. THE BOARD'S ROLES AND RESPONSIBILITIES
3. COMPOSITION OF THE BOARD
4. ROLE OF CHAIRMAN & PRESIDENT/CHIEF EXECUTIVE OFFICER ("P/CEO")
5. APPOINTMENTS AND REMOVALS
6. BOARD MEETINGS
7. BOARD EVALUATION AND DEVELOPMENT
8. BOARD COMMITTEES
9. BOARD REMUNERATION AND BENEFITS
10. OFFICE OF DIRECTORS
11. COMPANY SECRETARY
12. REVIEW OF BOARD CHARTER

BOARD CHARTER

1. INTRODUCTION

This Board of Directors Charter (“Board Charter”) is to promote the highest standard of Corporate Governance and to clearly set out the mandate, roles and responsibilities, and procedures of the Board of Directors (“Board”) of Bank Pertanian Malaysia Berhad (“Agrobank” or “the Bank”) and its Board Committees, including the matters reserved for the board’s decision¹. The Board understands their duties to act with integrity and in a professional manner in serving the best interest of the stakeholders of the Bank.

The Board is committed to uphold the principles of good corporate governance which includes ethical behaviour, accountability, transparency and sustainability². The Board understands that the key principles of corporate governance such as effective controls, corporate culture grounded on ethical behaviour and transparency, as effective mitigation of risk, corruption and mismanagement. Thus, tone from the top is critical in creating a significant impact on the Bank’s corporate cultural environment and corporate core values.

The Board is collectively responsible for the long-term success of a Bank and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, it is imperative for the Board to govern and set the strategic direction of the Bank while exercising oversight on management and shall not be involved in the day-to-day operations of the Bank

The Board Charter shall be governed amongst others by the Development Financial Institutions Act 2002 and Development Financial Institutions (Amendment) Act 2015 (“DFIA”), Bank Pertanian Malaysia Berhad Act 2008, Companies Act 2016, Islamic Financial Services Act 2013, *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*, Guidelines of Bank Negara Malaysia (“BNM”), Malaysian Code on Corporate Governance 2017 and the Constitution of the Bank, including guidelines as may be issued by the relevant authorities from time to time.

¹ Para 8.2 BNM Guidelines on Corporate Governance for DFI

² Para 1.1 Malaysian Code on Corporate Governance 2017

BOARD CHARTER

2. THE BOARD'S ROLES AND RESPONSIBILITIES

- 2.1. The Board is the ultimate decision-making body of the Bank, with the exception of matters requiring shareholders' approval.
- 2.2. The Board should collectively and individually have sound and sufficient knowledge and expertise to enable effective governance and oversight. The Board also has the fiduciary responsibility to act in the best interest of the Bank and overall responsibility for promoting the sustainable growth and financial soundness of the Bank in fulfilling its mandate, and ensuring reasonable standard of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers and depositors; i.e. fair treatment of financial customers ("FTFC"), members, officers and the general public.³
- 2.3. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Bank⁴ as well as in demonstrating commitment to FTFC through actions, communications and measures to achieve FTFC.⁵
- 2.4. The Board shall at all times exercise his powers in accordance with the Companies Act 2016, for a proper purpose and in good faith in the best interest of the Bank.⁶ The duties of the Board towards the Bank include⁷:
 - i. act in good faith in the best interests of the Bank;
 - ii. exercise reasonable care, skill and diligence with:-
 - a. the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and
 - b. any additional knowledge, skill and experience which a director has.
 - iii. exercise powers conferred on him for the purposes for which such powers are conferred;
 - iv. exercise sound and independent judgment; and
 - v. comply with any standards specified by BNM which are applicable to a Director.

³ Para 8.3 BNM Guidelines on Corporate Governance for DFI & 8.1 BNM Guidelines on Shariah Governance

⁴ Principle A I Malaysian Code on Corporate Governance 2017

⁵ Para 10.2 BNM Guidelines on Fair Treatment of Financial Consumers

⁶ Section 213 (1) Companies Act 2016

⁷ Section 5A Development Financial Institutions (Amendments) Act 2015

2.5. The major responsibilities of the Board include:-

i. Corporate Governance, Management Oversight and Administration⁸

- a. Regularly review and affirm the Bank's mandate, taking into account changes in the economy and financial system. Where relevant, the Board shall make recommendations to the Government in consultation with BNM, for a review of its mandate;
- b. Oversee the selection, performance, remuneration and succession plans of the P/CEO, control function heads and other member of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations;
- c. Oversee the governance arrangements, which should promote transparency and accountability in the management and decision making processes within the Bank, and ensure that the P/CEO effectively implements the governance arrangements across all functions of the Bank;
- d. Oversee the development and effective implementation of a performance measurement framework for the Bank that is aligned with its mandate;
- e. Promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional conduct and behaviour. This shall include ensuring that senior management establishes, implements and monitors policies and procedures that: -
 - i. prevent activities and relationships that are inconsistent with sound governance;
 - ii. effectively address conflicts of interest situations, strictly prohibit corrupt practices;
 - iii. ensure arm's length dealings with connected parties and other interested entities; and
 - iv. ensure appropriate reflection of FTFC in the Bank's business model, business strategies and operations, and to achieve FTFC outcomes.⁹

⁸ Para 8.3 BNM Guidelines on Corporate Governance for DFI

⁹ Para 10.2 BNM Guidelines on Fair Treatment of Financial Consumers

BOARD CHARTER

- f. Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- g. Promote through appropriate communication policies and practices, timely and effective communication between the Bank and BNM and stakeholder ministries on matters affecting or that may affect the safety, soundness and mandate of the Bank, including FTFC;
- h. Act in the best interest of Bank, free from any undue external influence which could undermine the Bank's approved mandate and financial soundness;
- i. Approve remuneration policy of the Bank and subject to periodic review, including material changes are made to the policy;¹⁰
- j. Approve the remuneration for each director, members of senior management and other material risk taker, annually and to ensure regularly review a list of officers who fall within the definition of "other material risk takers";¹¹
- k. Ensure the Key Indicator Performance ("KPI") resolution will be in line with the mandated roles and operations of the Bank;¹²
- l. Approve on any overseas travel made by the Management and to ensure that the purpose of the travel could contribute to increase in the Bank's revenue and productivity towards achieving the Bank's objective;¹³ and
- m. Approve the appointment/revocation of Attorneys for the Bank and to delegate any of its powers to the P/CEO or other person deemed fit.
- n. Review an update on material concerns affecting the achievements of FTFC outcomes on a quarterly basis.¹⁴
- o. Promote independent oversight by disclosing in corporate governance disclosures tenure of independent director.¹⁵
- p. Ensure the Corporate Governance Disclosures are accurate and clear and presented in a manner that is easily understood by the shareholders, customers and other relevant stakeholders.¹⁶

¹⁰ Para 19.2 BNM Guidelines on Corporate Governance for DFI

¹¹ Para 19.3 BNM Guidelines on Corporate Governance for DFI

¹² Para 3.33 *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*

¹³ Para 3.41 *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*

¹⁴ Appendix 2 BNM Guidelines on Fair Treatment of Financial Consumers

¹⁵ Para 11.9 BNM Guidelines on Corporate Governance for DFI

¹⁶ Para 22.2 BNM Guidelines on Corporate Governance for DFI

v. Risk Governance and Internal Control¹⁷

- a. Approve the Bank's overall risk strategy, including the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile and continuing ability to support its mandate¹⁸ and oversee its implementation;
- b. Approve and periodically review: -
 - i. risk management capabilities of the Bank to ensure that they are able to support business expansion; and
 - ii. approving authority limit for monetary operational expenditure and capital expenditure (MO-108) and overriding cases to ensure prudent management of the Bank's expenses;
- c. Undertake appropriate steps to ensure that business and operational decisions are aligned with the risk appetite which includes reviewing the Management's implementation of an appropriate risk strategy;
- d. Review and affirm the Bank's risk appetite regularly to ensure that it continues to be relevant and reflect any changes in the Bank's capacity to take on risk, its inherent profile, as well as market and macroeconomic conditions;
- e. Oversee the design and development of the risk management framework and ensure that the framework is effective for controlling risk-taking activities of the Bank in line with the Bank's risk appetite and has taken into account changes in the business environment;
- f. Ensure that a sound control environment exists within the Bank with clear identification of responsibilities for incurring and controlling risk assigned respectively to business units, the risk management and control functions, and internal audit;
- g. Ensure that all control functions and internal audit have the proper authority and are adequately staffed and resources to carry out their responsibilities independently and effectively;
- h. Establish appropriate internal oversight arrangements that would enable it to discharge its duties for effective risk oversight, which includes the establishment of a risk management committee;

¹⁷ BNM Guidelines on Risk Governance

¹⁸ Para 8.3(b) BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

- i. Set clear expectations for senior management to ensure the integrity of the essential reporting and monitoring system;
- j. Regularly obtain information from senior management on adherence to the Bank's risk appetite and the implementation of risk management policies, processes and controls within the Bank in managing as well as emerging risks involved;
- k. Possess and maintain, including through continuing education and training, appropriate and sufficient knowledge and competencies in risk management to provide effective oversight and guidance to senior management on risk issues;
- l. Seek independent third party views or information on risk implications as appropriate before coming to any conclusions or making any significant policy decisions;
- m. Ensure the establishments of an effective internal audit function while the oversight function is delegated to the Audit Committee; and
- n. Oversee the implementation of the Bank's 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,¹⁹

vi. Shariah Governance and Control²⁰

- a. Promote Shariah compliance in accordance with expectations set out in the policy document on Shariah Governance Framework for Islamic DFIs and ensure its effective integration with the Bank's business and risk strategies;²¹
- b. Approve all policies relating to Shariah governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of governance within the Bank and to ensure that such policies are implemented effectively;

¹⁹ Para 8.3 (e) BNM Guidelines on Corporate Governance for DFI

²⁰ Para 8.1 BNM Guidelines on Shariah Governance

²¹ Para 8.4 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

- c. Oversee the implementation of Shariah Advisory Council (“SAC”) rulings and decisions or advice of the Shariah Committee (“SC”) within all business and functional lines, including any business or risk implications arising from such implementation;
- d. Oversee the implementation of the internal control framework to prevent Shariah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance;
- e. Oversee the performance of senior management and other officers entrusted to implement Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives;
- f. Promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah;
- g. Establish a formal process to assess, at minimum annually, performance and effectiveness of the SC and every SC member. The assessment must consider the competence, knowledge and contribution of each SC member to the overall functioning of the SC;
- h. Approve the appointment/reappointment of the members of SC upon recommendation of Nomination and Remuneration Committee (“NRC”) and to ensure that the members of the SC are aware of their fiduciary responsibilities in discharging their duties;
- i. Approve remuneration policy for SC appropriately as advised by the NRC and such remuneration shall reflect and be commensurate with the accountability, duties and responsibilities of the SC; and
- j. Continuously develop and strengthen the Board’s knowledge and understanding on Islamic finance business.

vii. Business Operations and Financial Performance

- a. Ensure that the operations of the Bank are conducted prudently within the framework of relevant laws and policies;

BOARD CHARTER

- b. Aware of the Bank's business operating environment and promote safety and soundness of the Bank;
- c. Oversee and approve the 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;²²
- d. Raise to the Ministry of Finance ("MOF") on any grey areas related to the Bank's activities, policies and directions and if necessary, to seek approval from the MOF;
- e. Monitor the financial performance against the approved budget;
- f. Ensure that the Bank submits a copy of Management and Financial Reports of the Bank to the Minister of Finance (Incorporated) ("MoF Inc.") by 30th or 31st of the following month after the end of each quarter;²³ and
- g. Approve procurement of works, supplies and services where the value is up to RM300.0 million per transaction (MO-108).
 - i. appointment of contractor or vendor;
 - ii. variation works or order based on value of variation;
 - iii. renewal of contracts for maintenance of building and building's equipment;
 - iv. renovation work and maintenance of the bank's owned and rented properties;
 - v. tender offer on sale of building and the successful bidder; and
 - vi. any other activities related to procurement.

3. COMPOSITION OF THE BOARD

- 3.1 The Board should comprise directors who as a group provide a mixture of core competencies such as banking, finance, accounting, legal, business management, agriculture, information technology and investment management, knowledge or target market/sector and socio-economic perspective.²⁴

²² Para 8.3 (i) BNM Guidelines on Corporate Governance for DFI

²³ Para 3.37 *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*

²⁴ Para 2.4 (b) *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*

BOARD CHARTER

- 3.2 The Board must have a minimum of seven (7) directors and not more than twelve (12) directors.
- 3.3 At minimum, three (3) of the Directors must possess banking/accounting experience. A Board member who is qualified in finance-related disciplines should have acquired a minimum of five years working experience at a senior management level in the discipline of banking, insurance, takaful, or investment.²⁵
- 3.4 As long as majority of the shares of the Bank are held by the MoF Inc., the MOF shall be entitled to appoint: -
- i. any number of Directors and such members shall not be comprise majority of the Board of Directors; and
 - ii. The Chairman among the Directors.
- 3.5 The Chairman of the Board must not be an executive and must not have served as a P/CEO of the Bank in the past five (5) years.²⁶
- 3.6 The Board must have more than half of Independent Directors at all times.²⁷
- 3.7 Alternate director must not be appointed as a Director and director must not be an active politician.²⁸
- 3.8 The maximum tenure for each Chairman and Director is up to six (6) years only.²⁹

4. ROLE OF CHAIRMAN AND P/CEO

- 4.1 The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. The key role of a Chairman is among others³⁰: -
- i. Ensure that appropriate procedures are in place to govern the Board's operation;

²⁵ Para 11.3 BNM Guidelines on Corporate Governance for DFI

²⁶ Para 11.4 BNM Guidelines on Corporate Governance for DFI

²⁷ Para 11.6 BNM Guidelines on Corporate Governance for DFI

²⁸ Para 9.3 & 10.3 BNM Guidelines on Corporate Governance for DFI

²⁹ Para 3.4 *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*

³⁰ Para 9.1 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

- ii. 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 relevant information on a timely basis;
- iii. Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- iv. Lead efforts to address the Board's developmental needs.

4.2 The key role of P/CEO, among others, includes³¹:-

- i. Responsible over the day-to-day management of the Bank; and
- ii. Establish an organisational structure that promotes accountability and transparency throughout the Bank's operations, and preserves the effectiveness and independence of control functions. To this end, the P/CEO must ensure accountability for all operations of the Bank including control functions are clearly identified and allocated to the appropriate key individuals who have the professional competence, authority and accountability to manage these operations. The allocation of responsibilities must be supported by documentation that is comprehensive, kept up-to-date and made readily available to BNM upon request. Promoting, together with the Board, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour.

5. APPOINTMENTS AND REMOVALS

- 5.1 All directors must fulfil the minimum criteria on 'fit and proper' as determined by BNM. The Board must be wholly satisfied that the directors meet such requirements prior to submission to BNM for any appointment and re-appointment of directors.³²
- 5.2 The Board should ensure that written approval of the Minister (MOF) have been obtained prior to any appointment or reappointment of its directors or P/CEO³³. The Board should also seek and obtain BNM's verification on 'fit and proper' criteria for any appointment or reappointment of its directors or P/CEO prior to submission of the appointment or reappointment for Minister's (MOF) approval.

³¹ Para 16.1 BNM Guidelines on Corporate Governance for DFI

³² Para 8.1 Fit & Proper Criteria BNM Guidelines

³³ Section 7 Development Financial Institutions (Amendments) Act 2015

BOARD CHARTER

5.3 Independent Director

- i. An individual must not be considered to be an Independent Director if he or any person linked to him:-³⁴
 - a. has been an executive in the last two years;
 - b. is a substantial shareholder of the Bank or any of its affiliates;
 - c. is a representative of the stakeholder Ministry of the Bank; or
 - d. has had a significant business or other contractual relationship with the Bank or any of its affiliates and an individual for any person connected to him/her which exceeds a threshold of RM1.0 million³⁵, within the last two years.
- ii. The Bank must notify BNM before the removal or resignation of an Independent Director. The notification shall include reasons for the removal or resignation of such director including where relevant, details of specific circumstances leading to the removal or resignation. The removal or resignation of the independent director shall not take effect unless BNM has communicated to the Bank that it has no objection to the removal/resignation.³⁶
- iii. Except where the removal, termination or resignation of an independent director is made pursuant to section 8 of the DFIA and notwithstanding paragraph 5.3.2 of Board Charter:³⁷
 - a. The Bank shall not remove or terminate an independent director from his office; and
 - b. An independent director shall not resign from his office, if, by such removal, termination or resignation, the independent directors cease to be a majority of the Board.

³⁴ Para 11.7 BNM Guidelines on Corporate Governance for DFI

³⁵ Para 2.24 BNM/RH/GL 005-14 BNM Guidelines on Corporate Governance for DFI

³⁶ Para 10.14 BNM Guidelines on Corporate Governance for DFI

³⁷ Para 10.15 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

- iv. An independent director must immediately disclose to the Board any change in his circumstances that may affect his status as an independent director. In such a case, the Board must review his designation as an independent director and notify the Bank in writing of its decision to affirm or change his designation.³⁸
- 5.4 The Board should ensure that notification to BNM on the appointment and reappointment of its directors or P/CEO must be made within fourteen (14) days from the date of the appointment or reappointment.³⁹
- 5.5 Upon the appointment of new director, the Company Secretary is primarily responsible for induction programme which aims at communicating to the newly-appointed director, the Bank's vision and mission, its nature of business, current issues within the Bank, the corporate strategy and the expectations of the Bank concerning input from the Board.
- 5.6 Company Secretary is responsible to arrange engagement session between NRC and the nominees of Directors and SC members prior to NRC's deliberation and recommendation to the Board for approval.
- 5.7 The Board must ensure that each director acknowledges the terms of his appointment or reappointment, which must include:⁴⁰
- i. the roles and responsibilities of the director, including those arising from his membership in any board committee;
 - ii. the tenure of the appointment or reappointment;
 - iii. provisions for the director's termination if he becomes disqualified by virtue of section 7(1) of the DFIA; and
 - iv. provisions for the director's removal if: -
 - a. he no longer meets the requirements set out in paragraphs 10.2 to 10.5 of BNM Guideline on Corporate Governance for DFI, or the fit and proper requirements; or
 - b. has been assessed to be ineffective, errant or otherwise unsuited to carry out his responsibilities.

³⁸ Para 11.10 BNM Guidelines on Corporate Governance for DFI

³⁹ Section 6(4) Development Financial Institutions (Amendments) Act 2015

⁴⁰ Para 10.10 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

6. BOARD MEETINGS

6.1 Frequency and Attendance

- i. The Board meetings should be held at least 10 meetings annually; and
- ii. The Board members 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 such as an alternate director.⁴¹

6.2 At least half of Board members must be present, of which a majority must be represented by independent directors in order to form a quorum in respect of the Board meeting.⁴²

6.3 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.⁴³

6.4 All Board members shall use their best endeavours to attend all Board meetings in person. If this is not possible despite best endeavours, a Board member may attend the Board meeting by using communication technology. Participation in a meeting by communication technology shall constitute as presence in person provided that prior approval from the Chairman is obtained and the Board member is present throughout the meeting.

6.5 Meeting papers to be circulated at least five (5) days prior to the meeting unless approval has been obtained from the Chairman. Confidentiality is paramount in respect of all Board meetings and all documents must be made available to the Board members.

6.6 Board members, with the concurrence of the Chairman, may invite any person to be in attendance to assist it in its deliberations. The Board members may meet that person when necessary.

⁴¹ Para 9.3 BNM Guidelines on Corporate Governance for DFI

⁴² Para 9.5 BNM Guidelines on Corporate Governance for DFI

⁴³ Para 9.7 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

- 6.7 The Bank must provide the Board with access to advice from third party experts on any matter deliberated by the Board as and when required, and the cost of such advice shall be borne by the Bank.⁴⁴
- 6.8 Any decision at Board meetings shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
- 6.9 The financing facilities with connected parties transactions is approved by the Board with not less than three (3) quarters of all the Board members present, and such approval is duly recorded in the minutes of meeting.⁴⁵
- 6.10 The Board is also allowed to pass non-material resolutions by way of circulation and shall be decided unanimously.

7. ANNUAL EVALUATION AND DEVELOPMENT

- 7.1 The Board should carry out annual board evaluations to assess the performance and effectiveness of the Board, Board Committees, individual directors, SC and P/CEO.
- 7.2 The assessment shall be able to highlight areas of improvements for individual directors and the Board's development.
- 7.3 The Board shall have access to independent professional advice, as and when required.
- 7.4 The Board must engage external consultants or experts to assist in and lend objectivity to the annual board evaluations at least once in every two years or such other intervals as may be approved by the Bank.⁴⁶
- 7.5 In addition to the Financial Institutions Directors' Education ("FIDE") programme as required by BNM, the Board is also encouraged to attend training programme conducted by highly competent professionals and which are relevant to the Bank's operations and business.

⁴⁴ Para 9.8 BNM Guidelines on Corporate Governance for DFI

⁴⁵ Section 4.2.1 (d) Bank's Credit Policy on Financing Facilities with Connected Parties

⁴⁶ Para 13.5 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

8. BOARD COMMITTEES

- 8.1 The Board has established the following Board Committees to support its functions:-
- i. **Nomination and Remuneration Committee** is responsible to establish the minimum requirements for the appointment, assessment and succession planning for the Board, SC, P/CEO and senior management⁴⁷ and; oversee the overall composition of the Board. It is also responsible for recommending a framework of remuneration for Directors, SC, P/CEO and senior management;
 - ii. **Board Risk Management Committee** is responsible to review and recommend risk management strategies, policies and risk tolerance and to support Board on risk management as set out in policy document on Risk Governance⁴⁸;
 - iii. **Board Audit Committee** is responsible to provide independent oversight of the Bank's financial reporting and internal controls and ensuring checks and balances within the Bank and ensuring reliable and transparent financial reporting process within the Bank⁴⁹;
 - iv. **Board Credit and Investment Committee** is responsible for reviewing fresh or additional financing to customers in accordance with its pre-determined authority limits;
 - v. **Board Information Technology Committee** is responsible for the overall information technology ("IT") strategies and direction in the Bank; and
 - vi. **Board Strategic Committee** is responsible for reviewing and overseeing the strategic matters and business plans of the Bank.
- 8.2 The Board shall promote robust an open deliberations by the board on matters referred by the committee, the Chairman of the board must not chair any of the Board Committees.⁵⁰
- 8.3 The Board shall remain fully accountable for any authority delegated to the Board Committees.⁵¹

⁴⁷ Appendix I BNM Guidelines on Corporate Governance for DFI

⁴⁸ Appendix I BNM Guidelines on Corporate Governance for DFI

⁴⁹ Appendix I BNM Guidelines on Corporate Governance for DFI

⁵⁰ Para 12.4 BNM Guidelines on Corporate Governance for DFI

⁵¹ Para 12.7 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

9. BOARD REMUNERATION AND BENEFITS

9.1 The Board shall recommend to MOF the remuneration and benefits for the Directors of the Bank.

9.2 The Board shall recommend and seek for approval from MOF on additional allowances or entitlements in the form of monetary or non-monetary incentives which include honorarium, gift, ex-gratia, vacation trip to individual or collective Board members and P/CEO.⁵²

10. OFFICE OF DIRECTORS

10.1 The Board shall have the following authority to:-

- i. Investigate any activities or matter within its Board Charter;
- ii. Acquire the resources which are required to perform its duties;
- iii. Have full and unrestricted access to anyone in the Bank in order to conduct any investigation and to obtain any information pertaining to the Bank, including access to the Bank's auditors and consultants, relevant to the furtherance of the Board's duties and responsibilities; and
- iv. Meet exclusively among themselves, whenever deemed necessary.

10.2 The Office of a Director shall become vacant if the Director:-

- i. Becomes bankrupt;
- ii. Becomes prohibited from being a Director by reason of any order made under the Companies Act 2016 ("CA");
- iii. Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; and
- iv. Is removed from his office as Director by resolution of the Company in general meeting of which special notice has been given.

⁵² Para3.3 b *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)* issued by MOF

BOARD CHARTER

10.3 Misconduct

That in any events the Board considers that a Director, P/CEO or senior management has engaged in misconduct, the Board shall be guided by the law and authority requirement as stipulated amongst others in the Development Financial Institutions (Amendment) Act 2015, Bank Pertanian Malaysia Act 2008, Companies Act 2016, Islamic Financial Services Act 2013, *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*, Guidelines of Bank Negara Malaysia, Malaysian Code on Corporate Governance 2017 and the Constitution of the Bank, including guidelines as may be issued by the relevant authorities from time to time.

10.4 Non-Independent Non-Executive Director

A non-independent and non-executive director representing the interests of a stakeholder Ministry on the Board of the Bank shall have the same duties and responsibilities as other board members, to act in the best interest of the Bank, with due regard to the interest of customers and depositors, in line with its approved mandate. In the event of any conflict between his duty to act in the best interest of the Bank and his duty to the stakeholder Ministry which he is representing, his duty to the Bank will prevail.⁵³

10.5 A director must not have competing time commitments that impair his ability to discharge his duties effectively⁵⁴. The maximum number of external professional commitments that a director may have should not more than five (5).

10.6 Where a firm has been appointed as the external auditor of the Bank, any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a director of the Bank until at least two (2) years after:⁵⁵

- i. he ceases to be an officer or partner of that firm; or
- ii. the firm last served as an auditor of the Bank.

⁵³ Para 8.6 BNM Guidelines on Corporate Governance for DFI

⁵⁴ Para 10.3 BNM Guidelines on Corporate Governance for DFI

⁵⁵ Para 10.5 BNM Guidelines on Corporate Governance for DFI

BOARD CHARTER

10.7 Conflict of Interest⁵⁶

- i. Section 11 of the DFIA imposes a legal obligation on a director to disclose to the Board the nature and extent of his interest in a material transaction or material arrangement, and if such material transaction or material arrangement is being deliberated during a board meeting, to be absent from the meeting during such deliberations.
- ii. For the purpose of section 11 of the DFIA:-
 - a. an existing or proposed transaction or arrangement will be considered “material” if it is one which a director is required to declare under section 221 of the Companies Act 2016 or in its specific establishment act/legislation, whichever is the lower threshold, unless the director or any person linked to him cannot 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; and
 - b. An interested director must make the disclosure by way of a written notice to all members of the Board and the Company Secretary:-
 - i. as soon as practicable after being aware or the relevant facts have come into his knowledge of his interest in the material transaction or arrangement; and
 - ii. if the material transaction or arrangement is being deliberated at a board meeting, before the commencement of that deliberation.
- iii. The Board must identify, assess and manage any conflicts of interest arising from any additional activities or services performed by the SC member for the Bank or his other external professional commitments. This shall include policies relating to the involvement of a SC member in the provision of consultancy services to any clients of the Bank, with or without remuneration.⁵⁷

⁵⁶ Para 14.2 & 14.3 BNM Guidelines on Corporate Governance for DFI

⁵⁷ Para 9.3 BNM Guidelines on Shariah Governance

BOARD CHARTER

10.8 Disclosures and Declarations

i. Declaration of Connected Parties Transaction

- a. The Bank shall not grant any financing facility to any corporation in the shares of which any of the Bank's members, directors or officers has any interest which, in aggregate, more than 50%.⁵⁸
- b. Company Secretary to compile and update all information of the members and close relatives of the Board of the connected parties transaction periodically for onward submission to Human Resources Division.⁵⁹

ii. Disclosure Directorship other than the Bank

Directors are required to disclose his/her directorship other than the Bank and to notify Company Secretary, within 14 days from the date of appointment or resignation.

iii. Declaration of Assets

Directors are required declare his/her assets within thirty (30) days upon appointment as a Director and subsequently to declare at least twice a year.

iv. Declaration of Interest

Directors are required declare his/her interest including his/her family business within thirty (30) days upon appointment as a Director and to declare on quarterly basis.

v. Fit and Proper

The 'fit and proper' assessment on each director shall be conducted prior to his/her appointment/reappointment as well as at annual basis and at other circumstances as deemed necessary by the Board and NRC.⁶⁰

⁵⁸ Section 28(3A) Development Financial Institutions (Amendments) Act 2015 & section 4.1.1 Bank's Credit Policy on Financing Facilities with Connected Parties

⁵⁹ Section 10.6.1 Bank's Credit Policy on Financing Facilities with Connected Parties

⁶⁰ Section 2.1 Bank's Policy on 'Fit and Proper' for Key Responsible Persons of Agrobank

BOARD CHARTER

10.9 Transparency⁶¹

- i. Disclosure information on corporate governance must be in line with the disclosures requirement pursuant to Guidelines of BNM;
- ii. The corporate governance disclosures must be:-
 - a. laid before its annual general meetings as the case may be as an appendix to the directors' report;
 - b. published on its website; and
 - c. in the case of a DFI that is publicly listed, published in its annual report.
- ii. The constitution, Board Charter and updated details on its board composition must be published on the Bank's website.

10.10 Interaction with SC

- i. The engagement between Board with SC is at least twice in a year;
- ii. The Board must allocate sufficient resources for continuous development of skills and expertise of the SC. This shall include allocating adequate budget, having in place development plans for SC members and regularly updating such plans to ensure that each member possesses the requisite knowledge and skills to fulfil his responsibilities⁶²; and
- iii. In the event that the Board delegates any of its responsibilities to the SC, the Board must:⁶³
 - a. ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the Board and the SC's charter;
 - b. establish reporting arrangements to be kept informed of the SC's work, key deliberations and decisions on delegated matters; and
 - c. remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

⁶¹ Part F BNM Guidelines on Shariah Governance

⁶² Para 9.5 BNM Guidelines on Shariah Governance

⁶³ Para 9.8 BNM Guidelines on Shariah Governance

BOARD CHARTER

11. COMPANY SECRETARY

- 11.1 The Company Secretary is responsible for supporting the effective functioning of the Board in discharging its role, the Company Secretary provides counsel to the Board on governance matters and facilitate effective information flows between the Board, Board Committees and senior management.⁶⁴
- 11.2 The Company Secretary shall keep confidential the affairs of the DFI and its officers at all times and shall not disclose he affairs of the Bank except with the knowledge and consent of the Bank
- 11.3 The Company Secretary must not have competing time commitments that may impair his ability to discharge his duties effectively. Unless the Bank approves otherwise in writing, the Company Secretary of Bank must devote the whole of his professional time to the affairs of the Bank and its affiliates.⁶⁵
- 11.4 The appointment and removal of the Bank's Company Secretary must be approved by the Board.⁶⁶

12. REVIEW OF THE BOARD CHARTER

The Board Charter shall be reviewed periodically or at least once every three (3) years in order to ensure that the Bank remains at the forefront of best practices in corporate governance and in compliance with the requirements of rules, laws and regulations of Malaysia.

Date approved by the Board of Directors:-

- a. 1st Version – 28 November 2008
- b. 2nd Version – 31 January 2012
- c. 3rd Version – 28 March 2013
- d. 4th Version – 21 May 2013
- e. 5th Version – 30 January 2014
- f. 6th Version – 26 January 2017
- g. 7th Version – 28 February 2019
- h. 8th Version – 30 April 2020

⁶⁴ Para15.1 BNM Guidelines on Corporate Governance for DFI

⁶⁵ Para 15.3 BNM Guidelines on Corporate Governance for DFI

⁶⁶ Para15.4 BNM Guidelines on Corporate Governance for DFI