

# **Amlslamic Funds Management Sdn Bhd**

## **BOARD CHARTER**

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## 1. Introduction

- 1.1 The Board of Directors (the Board) regard sound Corporate Governance as vital to the success of the company's business and is unreservedly committed to applying the principles necessary to ensure that the following principles of good governance are practised in all of its business dealings:
- i) The Board is the focal point of the company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the company.
  - ii) All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
  - iii) All Board members are responsible to the company for achieving a high level of good governance.
- 1.2 This Board Charter shall constitute, and form, an integral part of each Director's duties and responsibilities.
- 1.3 The objectives of this Board Charter are to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of the company.

## 2. Board Governance Roles

### 2.1 Board Composition

- 2.1.1 The Constitution of the company specifies that the number of Directors shall not be less than two and not more than nine. The Board has power under the Constitution of the company to appoint a Director to fill a casual vacancy or as an additional Director.
- 2.1.2 At any one time, the Board shall comprise of majority Independent Directors.
- 2.1.3 The Chairman must be a Non-Executive member of the Board and must not have served as Chief Executive Officer (CEO) of the company in the past five years.
- 2.1.4 The Board members should have wide ranging experience, skill and knowledge that add value to the company. The Board shall consider recommendations by the Group Nomination and Remuneration Committee pertaining to nominees for directorship in the company.

## 2.2 Role of the Board

- 2.2.1 The Board has overall responsibility for promoting the sustainable growth and financial soundness of the company. Each Director has a duty to act in the best interest of the company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the company are managed. The Board sets the company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 2.2.2 The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to inculcate good governance as set out in applicable laws and regulations including, without limitation, the guidelines and directives as may be issued by Securities Commission (SC) and other regulatory authorities which may be applicable to the company from time to time (Laws).
- 2.2.3 The Board assumes the following duties, having regard to the interests of all the stakeholders of the company:
- i) **Approve and monitor strategy**  
Approve and oversee the implementation of business and risk objectives and strategies including the annual budget, and in doing so shall have regard to the long term viability of the company and reasonable standards of fair dealing.
  - ii) **Oversee risk management, governance and internal controls**  
The Board shall oversee the effective design and implementation of the company's governance and reporting framework, internal controls, compliance and risk management systems. The Board shall periodically review whether these remain appropriate in light of material changes to the nature, scale and complexity of the business and structure of the company.
  - iii) **Promote a strong culture of professionalism and ethics**  
The Board shall promote, together with Senior Management, a sound corporate culture that reinforces ethical, prudent and professional behaviour. This includes ensuring that the company adopts a code of ethics and conduct that set out standards of behaviour and conduct that must be followed by all employees of the company.
  - iv) **Oversee appointment, performance, remuneration and succession planning of the Board, CEO and Chief Investment Officer (CIO)**  
The Board shall be responsible for appointing, evaluating, remunerating and planning for the succession of Directors, CEO and CIO.
  - v) **Oversee recovery and business continuity plans.**  
The Board shall oversee and approve recovery and business continuity plans for the company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.

- vi) **Oversee communications with stakeholders.**  
The Board shall ensure the development and implementation of a communications policy for the company that enables effective communication with shareholders, regulators and other stakeholders.
- vii) **Promote sustainability in company's business strategies**  
The Board shall promote sustainability through appropriate environmental, social and governance considerations in the company's business strategies.

## 2.3 Role of Chairman and CEO

The company aims to ensure a balance of power and authority between the Chairman and the CEO with a clear vision of responsibility between the running of the Board and the company's business respectively. The positions of Chairman (i.e. non-executive Chairman) and CEO are separated and clearly defined.

### Role of the Chairman

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

- i) leading the Board in setting the values and standards of the company
- ii) ensuring that appropriate procedures are in place to govern the Board's operation
- iii) maintaining a relationship of trust with and between the Executive and Non-Executive Directors
- iv) ensuring 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
- v) ensuring the provision of accurate, timely and clear information to Directors
- vi) encouraging healthy discussion and ensuring that dissenting views can be freely expressed and discussed
- vii) leading efforts to address the Board's developmental needs

2.3.2 The Chairman is responsible for managing the business of the Board to ensure that:

- i) all Directors are promptly briefed on issues arising at Board meetings
- ii) sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion
- iii) the issues discussed are forward looking and concentrate on strategy

- 2.3.3 The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

#### **Role of the CEO**

- 2.3.4 The CEO is the conduit between the Board and Management in ensuring the success of the company's governance and management functions.

- 2.3.5 The appointment of CEO is governed by the laws and internal guidelines.

- 2.3.6 The CEO must be in full-time employment.

- 2.3.7 The roles of the CEO include:

- i) Developing the strategic direction of the company.
- ii) Ensuring that the company's strategies and corporate policies are effectively implemented.
- iii) Ensuring that Board decisions are implemented and Board directions are responded to.
- iv) Providing directions in the implementation of short and long-term business plans.
- v) Providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees.
- vi) Keeping Board fully informed of all important aspects of the company's operations and ensuring sufficient information is distributed to Board members.
- vii) Ensuring the day-to-day business affairs of the company are effectively managed.

#### **2.4 Role of Individual Directors**

- 2.4.1 Directors are expected to demonstrate at all times that they:

- i) act in good faith in the best interests of the company;
- 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 the Director has;
- iii) only exercise powers conferred on them for the purposes for which such powers are conferred; and
- iv) exercise sound and independent judgement

- 2.4.2 Independent Directors shall provide independent and objective judgement, experience and objectivity without being subordinated to operational considerations.

## 2.5 Role of the Company Secretary

- 2.5.1 The Board appoints the Company Secretary who reports directly to the Board and is the source of guidance and advice to the Directors on areas of corporate governance, relevant legislations, regulations and policies.
- 2.5.2 The Company Secretary attends Board and Board Committees meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees meetings.

## 2.6 Role of Board Committees

- 2.6.1 The Board may from time to time establish Committees to assist it in carrying out its responsibilities and shall adopt Terms of References setting out matters relevant to the composition, responsibilities and administration of such Committees, and other matters that the Board may consider appropriate.
- 2.6.2 The Board Committees together with the Board Committees established at Group level (AMMB Holdings Berhad) which are created to assist the Board in certain areas of deliberations are:
- i) Group Nomination and Remuneration Committee (at Group level)
  - ii) Group Information Technology Committee (at Group level)
  - iii) Audit and Risk Management Committee of Directors

The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Board Committee.

- 2.6.3 The role of the respective Board Committees are as summarised below:

i) **Group Nomination and Remuneration Committee (GNRC)**

The GNRC is primarily responsible for:

- Regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the company with regard to any changes that are deemed necessary.
- Recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.
- On an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board.
- Recommending the appointments of CEO and CIO to the Board.

- Recommending the removal of Director/CEO/CIO if the Director/CEO/CIO is ineffective, errant and negligent in discharging his responsibilities.
- Recommending to the Board the framework/methodology for the remuneration of the Directors, CEO and CIO, benchmarked against the industry. Remuneration is determined at levels, which enable the company to attract and retain the Directors, CEO and CIO with the relevant experience and expertise needed to assist in managing the company effectively.

ii) **Group Information Technology Committee (GITC)**

The GITC is responsible to provide governance for Information Technology (IT) and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy and the key responsibilities include the following:

- To provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy.
- To ensure the establishment of Group wide IT policies, procedures and frameworks including IT security and IT risk management.
- To provide oversight of the Group's long term IT strategic plans and budgets.
- To establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics.
- To review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.
- To advise the Board on IT related issues.
- To review and approve allowed deviations under Bank Negara Malaysia guidelines.

iii) **Audit and Risk Management Committee of Directors (ARMC)**

The ARMC is responsible to provide assistance to the Board with the following primary objectives:

- To provide independent oversight of the company's financial reporting and internal control systems that facilitates appropriate checks and balances within the company.
- To serve as an independent and objective party in the review, where appropriate, of the financial information of the company that is presented by the Management to the Board and shareholders.



- To serve as an independent and objective party in the review, where appropriate, of the financial information of the Private Retirement Scheme (PRS) funds that is presented by the Management to the Board and unit holders.
- To provide independent oversight of the company's risk management framework, control, process and infrastructure to facilitate appropriate checks and balances within the company.
- To provide independent oversight of the company's compliance framework, controls and processes to ensure adequacy of infrastructure to manage and minimize occurrence of regulatory or other non-compliance.

### **3. Board Conduct**

#### **3.1 Code of Ethics and Conduct**

3.1.1 The Board commits itself and its Directors to ethical, business-like, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly, all Directors shall apply ethical principles and standards of behaviour as set out in the following documents:

- i) Code of Ethics of the Group
- ii) Other applicable governance documentation approved by the Board setting out standards of ethical conduct and behaviour

#### **3.2 Conflict of Interest**

3.2.1 Directors shall declare any conflict of interests by way of a written notice to all Board members and the Company Secretary (as soon as practicable) after being aware of his interest in the material transaction or arrangement; and if the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation. Directors shall not be present when it is being deliberated at the Board or Board Committee meeting.

### **4. Boardroom Diversity**

4.1.1 The Board is committed to ensuring diversity in its composition and embraces the proposition that having a diverse Board would have a positive, value-adding impact on the company. Whilst the Board acknowledges the importance of boardroom diversity, appointments to the Board shall always be based on merit.

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## **5. Board Effectiveness**

### **5.1 Annual Board Effectiveness Evaluation**

- 5.1.1 The Board shall review the effectiveness of the Board and Board Committees as well as the performance of individual Directors annually. All such assessments shall be properly documented. The GNRC is entrusted with the responsibility for carrying out the annual evaluation review.
- 5.1.2 The evaluation results shall form the basis of GNRC's recommendation to the Board for the re-election and/ or re-appointment of Directors and Board Committee members as well as for further development of the Board and Board Committees.

### **5.2 Director Selection and Appointment**

- 5.2.1 The appointment of a new Director is a matter for consideration and decision by the full Board.
- 5.2.2 The appointment, retirement and/or re-appointment of a Director shall be governed by the laws, the Constitution of the company as well as the company's rules, regulations and policies as may be issued from time to time (Internal Guidelines).
- 5.2.3 Directors are expected to fulfill the fit and proper requirements and qualifications specified by the laws.
- 5.2.4 The tenure of an Independent Director shall not exceed a cumulative term of nine years.

### **5.3 External Directorships**

- 5.3.1 Directors must devote sufficient time to prepare for and attend Board meetings, and maintain a sound understanding of the business of the company as well as relevant market and regulatory developments. This includes a commitment to on-going education. The Board shall set out expectations of the time commitment for its members to fulfil Board and Board Committees roles.
- 5.3.2 Prior to accepting appointment(s) in other companies, Directors should ensure that the appointment(s) are not in conflict with the company's business and do not affect the discharge of their duties as a Director of the bank. Directors shall notify the Chairman of the Board and the Company Secretary of new Board appointment(s) in other companies within 14 days of the appointment(s).

### **5.4 Director's Access to Information and Advice**

- 5.4.1 The company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.

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- 5.4.2 The Management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
  - 5.4.3 In order to assist Directors in fulfilling their responsibilities, the Directors have the right to seek independent professional advice regarding their responsibilities at the expense of the company.
  - 5.4.4 Full minutes of each Board meeting shall be kept by the Company Secretary and made available for inspection by any Director during office hours.

## **5.5 Director Induction**

- 5.5.1 Newly appointed Board members shall attend the company's Induction Programme which includes mandatory core programmes required pursuant to regulators' regulations and internal briefings by relevant Management personnel.
- 5.5.2 The company shall ensure that new Board members are fully briefed on the terms of their appointment, duties, and responsibilities, as well as on the nature, operations, and current issues of the company.
- 5.5.3 The GNRC shall review the induction processes on a periodic basis to ensure that all pertinent information is provided to Directors, and that adequate time has been given for Directors to familiarise themselves with the company, its Board, and operations.

## **5.6 Director Development**

- 5.6.1 The Board shall ensure that a structured Director Learning and Education programme is in place for its members. This programme shall ensure members have access to appropriate continuing education programmes and are kept up to date with current business, industry, regulatory and legislative developments and trends that will affect the company's business operations.
- 5.6.2 The GNRC shall review and agree with each Director on their training and development needs on an annual basis, taking into consideration the company's strategy for the next several years and the current combined skills on the Board.
- 5.6.3 The GNRC shall identify and recommend the relevant courses to be included as part of the annual Board Training Calendar to the Board for approval.

## **5.7 Director Remuneration**

- 5.7.1 The Board, through the GNRC, shall establish a formal and transparent remuneration framework for Directors. The remuneration framework shall be appropriate to attract and retain highly dedicated, competent, professional and independent Directors and recognise them for their contributions.

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## **6. Board Meetings**

### **6.1 Frequency and Attendance**

- 6.1.1 The Board meets no less than once every quarter or at such other interval as required, to facilitate the discharge of their responsibilities. Members of Management may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- 6.1.2 A Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the meeting where the material transaction or material arrangement is being deliberated by the Board of Directors.
- 6.1.3 Board members are expected to attend at least 75% of total Board meetings in any applicable financial year, and must not appoint another person to attend or participate in a Board meeting on his behalf, with appropriate leave of absence duly communicated to the Chairman of the Board and/or Company Secretary, where applicable.

### **6.2 Board Meeting Agenda and Papers**

- 6.2.1 The Chairman, in consultation with the CEO and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.
- 6.2.2 The agenda and meeting papers for each meeting shall be circulated at least seven calendar days before each meeting to the Directors. Any submission of meeting papers after seven calendar days shall be considered a late paper and will require the approval of the Chairman.

### **6.3 Quorum**

- 6.3.1 The quorum for Board meetings shall be fixed by the directors, and unless so fixed shall be two (2).
- 6.3.2 In the absence of the Chairman, the Deputy Chairman (if any), or, in the event that there are more than one Deputy Chairman, the senior in appointment among them, shall preside at all meetings of the Directors, if such officers have not been appointed, or if no such officer is present within ten minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of such meeting

### **6.4 Meeting Mode**

- 6.4.1 A meeting shall be conducted in person or via alternative means of attendance (i.e. telephone conference or video conference) as determined by the Board to enable effective discussion. Where permitted, alternative means of attendance must remain the exception rather than the norm and appropriate safeguards must be in place to preserve the confidentiality of deliberations.

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- 6.4.2 The Board may from time to time and if deemed appropriate, consider and approve and/ or recommend routine and administrative matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be used sparingly, and shall be as valid and effectual as if it has been passed by a meeting of the Board duly convened.

## **6.5 Voting**

- 6.5.1 All resolutions of the Board shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote in accordance with the Constitution of the company. Where 2 Directors form a quorum, the Chairman of the meeting at which only such a quorum is present or at which only 2 Directors are competent to vote on the question at issue shall not have a casting vote.
- 6.5.2 A Board member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

## **7. Application and Charter Review**

- 7.1 The principles set out in this Charter shall be:
- i) Kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities.
  - ii) Applied in practice having regard to their spirit and general principles rather than to the latter alone.
- 7.2 The Board endeavours to comply at all times with the principles and practices set out in this Charter.
- 7.3 This Charter is subject to review by the Board from time to time to ensure the company remains at the forefront of best practices in Corporate Governance.