



UNITED OVERSEAS BANK (MALAYSIA) BHD

Board Charter

Confidential

22 October 2019

This document is published by UOBM – Secretariat. It is intended for internal circulation only. Reproduction of the publication by external parties, in whole or in part is not permitted without the prior permission of UOBM – Secretariat.

1. **PURPOSE**

The Board Charter sets out the roles, responsibilities and procedures of the Board and Board Committees, including the matters reserved for the Board's decision, in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by Bank Negara Malaysia ("BNM") and relevant regulatory authorities.

2. **ROLE OF THE BOARD**

The role of the Board is to provide entrepreneurial leadership, strategic guidance and effective oversight of senior management's performance. Decisions taken by the Board must be objective and in the interests of the Bank and its shareholders.

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank, and for ensuring reasonable standards of fair dealing, without undue influence from any party.

The Board sets the tone from the top in establishing the corporate culture and values of the Bank.

3. **DUTIES AND RESPONSIBILITIES**

The Board's main duties and responsibilities are as follows:

3.1 **Strategy**

- Review and approve broad strategies, risk appetite and significant policies and monitor management's performance in implementing them.
- Consider sustainability issues, including issues relating to the environment, social and governance factors, in formulating its strategies.

3.2 **Finance**

- Review and approve annual business plan and budget.
- Monitor the financial performance of the Bank.
- Determine an appropriate capital and debt structure for the Bank to meet its objectives.
- Set dividend policy and declare dividends.
- Approve major acquisitions and divestments.

3.3 Risk Management and Internal Controls

- Oversee the establishment of comprehensive risk management strategies (including risk appetite statement), risk management framework/policies, risk tolerance for credit risk, market risk, operational risk, balance sheet and liquidity risk, regulatory compliance risk; and all other risks that are material to the Bank.
- Oversee the establishment of the Bank's internal framework/policies in meeting all relevant regulatory requirements and guidelines.
- Review the adequacy and effectiveness of the Bank's risk management system and internal controls, including financial, operational, compliance and information technology controls.
- Exercise its veto power for the following credits:
 - For facilities and commitments approved for the non-bank obligor group where the total amount exceed by 15% of UOBM's Tier 1 Capital.
 - Lending/Financing to customers with the following rating:
 - For Non-IPRE, ELR of 13 & above;
 - For IPRE¹, CRR of 13 & above; and with exposures of >RM100m.
 - Lending/Financing to the following Discouraged Credits:
 - i. **Lending/Financing to defence industry related corporations**
Such transactions must be submitted to Board for exercise of its veto power upon approval by the In-Country Credit Committee (with input from Group Credit Committee), except where the financing is related to entities majority owned or backed by the Malaysia Government.
 - ii. **Lending/Financing to persons with diplomatic immunity with exposures of >RM5m**
Such transactions must be submitted to Board for exercise of its veto power upon approval by the In-Country Credit Committee (with input from Group Credit Committee), unless it is fully cash-collateralised.
 - iii. **Legal subordination with exposures of > RM100m**
Such transactions must be submitted to Board for exercise of its veto power upon approval by the In-Country Credit Committee (with input from Group Credit Committee).

¹ IPRE - Income Producing Real Estate

Note:

Legal subordination refers to situations where the Bank extends junior/mezzanine credit facilities that rank behind other senior lenders/financiers and are not meant to be repaid/paid until the senior debts/financial obligations are fully repaid/settled. (Note: It excludes cases where the Bank provides senior unsecured credit facilities to a borrower/customer who has senior secured credit facilities from other banks).

- Review and approve credit discretionary limits and investment and trading limits.
- Review and approve the Bank's Internal Ratings Based Framework in meeting the relevant regulatory requirements and guidelines. (Please see Appendix 1).
- Be aware of the Money Laundering/Terrorism Financing risks associated with business strategies, delivery channels and geographical coverage of its business products and services.
- Understand the Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") measures required by the laws including Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLA"), subsidiary legislation and instruments issued under the AMLA, and industry's standards and best practices as well as the importance of implementing AML/CFT measures to prevent the reporting institution from abused by money launderers and financiers of terrorism.
- The Board's roles and responsibilities in managing Money Laundering/Terrorism Financing risks faced by the Bank are detailed in Appendix 2.
- Set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering financial and management audit.
- Review the adequacy and appropriateness of resources allocated to perform the risk management and internal control functions.
- oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.

3.4 Human Resource

- Ensure there is a managed and effective process to select and appoint control function heads and other members of senior management who are qualified, professional and competent to effectively lead the operations of the financial institution.

- Approve the remuneration policy of the Bank and oversee the performance and remuneration plans of the control function heads and other members of senior management.
- Ensure there is clear and effective process for a robust succession plan for members of senior management.
- Ensure that members of Shariah Committee, the Chief Executive Officer, control function heads and senior management, are not disqualified under Section 59(1) of the Financial Services Act 2013 or Section 68(1) of the Islamic Financial Services Act 2013 and assessed to have complied with Bank Negara Malaysia's Fit and Proper Criteria on an annual basis.
- The remuneration for each director, member of senior management and other material risk taker must be approved by the Board annually. The Bank must maintain and regularly review a list of officers who fall within the definition of "other material risk takers".
- Ensure sufficient resources toward the on-going development of the Board, including adequate budget, having in place development plans for directors and regularly updating such plans to ensure that each director possesses the knowledge and skills necessary to fulfill his responsibilities.

3.5 Corporate and Shariah Governance

- Ensure the operations of the Bank are conducted prudently and within the framework of relevant laws and policies.
- Set corporate values and clear lines of responsibility and accountability that are communicated throughout the Bank.
- Establish procedures to avoid self-serving practices and conflicts of interest including ensuring permitted dealings of any form with related entities are done at arms length.
- Establish a sound and robust Shariah governance framework.
- Perform diligent oversight over the effective functioning of the Bank's Shariah governance framework and ensure that the framework commensurate with the size, complexity and nature of its business.
- Approve all policies relating to Shariah matters, in consultation with Shariah Committee and to ensure such policies are implemented effectively.
- Approve all Islamic Banking products and services in accordance with the Bank's risk appetite, upon endorsement and recommendation by Shariah Committee.

- Approve remuneration of Shariah Committee as advised by Remuneration Committee.
- Approve the appointment, reappointment and removal of Shariah Committee members as recommended by Nominating Committee, as well as resignation of Shariah Committee members, subject to the approval by Bank Negara Malaysia and Shariah Advisory Council.
- Approve the rectification plan for Shariah Non-Compliance event, upon consultation with Shariah Committee.

3.6 Others

- Promote practices that have a beneficial influence on the economic well being of the community.
- Perform such duties and responsibilities as may be required by laws, regulations, guidelines and Constitution of the Bank.
- All directors shall have unfettered access to information in the Bank to enable them to carry out their responsibilities.
- Review and approve any act, thing or deed as may require or be reserved for the Board's endorsement or approval.

4. **BOARD COMMITTEES**

The Board shall establish and ensure the effective functioning of board committees including Nominating Committee, Remuneration Committee, Risk Management Committee and Audit Committee, as required under Bank Negara Malaysia's Guidelines on Corporate Governance and any other committee as it considers necessary or appropriate to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration.

The Board Committees operate within clearly defined roles and responsibilities as set out in terms of reference of each of the Board Committees, and are reviewed from time to time to ensure that they remain relevant and are up-to-date. Nevertheless, the Board remains fully accountable for any authority delegated to the Board Committees.

The Board is informed of the decisions and salient issues deliberated by the Board Committees by the Chairmen/Chairperson of the Board Committees, and also through minutes of these Board Committees.

The key responsibilities of the Board Committees are as follows:-

4.1 **Nominating Committee ("NC")**

The NC assist the Board to:-

- (a) review nominations for appointments and re-appointments as well as removals of directors, Shariah Committee members, Chief Executive Officer, key senior management officers and company secretary.
- (b) oversee the overall composition of the Board and Board Committees.
- (c) assess the effectiveness of the Board and Board Committees, and the contribution of each director to the effectiveness of the Board.
- (d) assess the independence of each director.
- (e) assess the performance of Shariah Committee members, Chief Executive Officer, key senior management officers and company secretary.
- (f) ensure all directors receive an appropriate continuous training program in order to keep abreast with the latest developments in the industry.
- (g) conduct assessment on the fitness and propriety of directors, Shariah Committee members, Chief Executive Officer, Key Senior Management Officers and company secretary.
- (h) oversee the succession plan for the Board, Chief Executive Officer and Key Senior Management Officers.

4.2 Remuneration Committee (“RC”)

The RC provides a formal and transparent procedure for developing remuneration policy for directors, Shariah Committee members, chief executive officer and key senior management officers and ensuring that compensation is competitive and consistent with UOB’s culture, objectives and strategy.

The RC must ensure that UOBM’s Executive remuneration must be aligned with prudent risk-taking and appropriately adjusted for risks. The RC acting for the Board must actively oversee the Bank’s remuneration structure and its implementation, and must monitor and review the remuneration structure to ensure that it operates as intended.

4.3 Risk Management Committee (“RMC”)

The RMC oversees the management of risks arising from the business of the Bank.

4.4 Audit Committee (“AC”)

The AC assists the Board by providing oversight of the Bank’s financial reporting and internal control system. The AC also oversees the effectiveness of the internal audit function of the Bank and exercise oversight over the external auditor, in accordance with the expectations set out in the Bank Negara Malaysia’s policy document on External Auditor.

The AC also review and update the Board on all related party transactions, review the accuracy and adequacy of the chairman’s statement in the directors’ report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements as well as review External Auditors’ opinions on internal controls of the Bank.

5. COMPOSITION

The composition of the Board and the appointment and retirement of the Board members and appointment of chief executive officer shall be effected in accordance with Constitution of the Bank BUT otherwise subject to Bank Negara Malaysia's Guidelines on Corporate Governance and any amendment thereto issued by Bank Negara Malaysia from time to time.

The Chairman of the Board must not be an executive and must not have served as a CEO of the Bank in the past five (5) years.

The Board must have a majority of independent directors at all times.

6. ROLE OF CHAIRMAN

The Chairman leads the Board, and is responsible for the effective overall functioning of the Board. In fulfilling his role, the Chairman ensures that appropriate procedures are in place to govern the Board's operation. He also ensures that decisions are taken on a sound and well-informed basis, including all strategic and critical issues are considered by the Board, and that directors receive the relevant information on a timely basis. The Chairman must encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed. He leads efforts to address the Board's developmental needs.

7. FREQUENCY OF MEETINGS

The Board shall meet as frequently as may be necessary or upon requisition of any member. There shall be at least four times a year.

When it is not convenient for a director to be physically present, he may participate by means of video or telephone conferencing.

8. QUORUM

The quorum for Board meetings shall be a minimum of 3 directors or at least half of the board members to be present (whichever is higher). In the event of an equality of votes, the Chairman of the Board shall have a second or casting vote.

The Board may invite the Chief Risk Officer, Chief Financial Officer or other persons with relevant experience and expertise to any Board meeting.

9. NOTICE OF MEETING

At least 5 days' notice is required for any meeting but may be shortened by agreement of all members.

10. MEETING PROCEDURES

Individual directors 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.

The meeting shall be presided over by the Chairman of the Board. In his/her absence, the members present shall elect one of their number to chair the meeting.

Where a Board member has a vested interest in the issue being discussed, he should recuse himself/herself from the discussions to avoid conflict of interests.

Save and except for the above, meetings and proceedings of the Board shall be governed by the provisions of the Constitution of the Bank regulating the meetings and proceedings of the Board so far as the same are applicable.

11. MINUTES AND RESOLUTIONS

The Board shall maintain records of all its meetings in particular, records of discussions on key deliberations and decisions taken. The minutes must indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.

Copies of the minutes of meeting shall be circulated to all members of the Board.

A resolution in writing, signed by a majority of the Board, shall be as valid and effectual as if it had been passed at the meeting of the Board duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

12. ACCESS TO INFORMATION

All directors shall have unfettered access to information and Management of the Bank to enable them to carry out their responsibilities.

13. ADVISERS

The Board shall have access to advice from third party experts on any matter deliberated by the Board as and when required to fulfil its responsibilities, at the Bank's expense.

14. COMPANY SECRETARY

All directors shall have direct access to the Company Secretary. The Company Secretary shall assist the directors, whether as an individual or as a group, to obtain independent professional advice, if necessary, in the discharge of their duties.

The Company Secretary shall be responsible to ensure that board procedures are followed and applicable rules and regulations are complied with by the Board.

The appointment and removal of the Bank’s company secretary must be approved by the Board.

15. TENURE OF INDEPENDENT DIRECTORS

An independent director of the Bank shall hold office for a maximum of 6 years or such other term as the Nominating Committee deems fit but shall not exceed a total of 9 years, in order to promote independent oversight by the Board.

16. EXTERNAL PROFESSIONAL COMMITMENTS

Directors should devote such time as is necessary for the proper performance of their duties as directors. When directors have multiple board representations, they shall ensure that they are able to give sufficient time and attention to the affairs of each company.

17. CONFLICT OF INTEREST

A director who holds any office or possesses any property whereby, directly or indirectly, duties or interest might be created in conflict with his duties or interest as director shall declare at a meeting of the directors the fact, nature, character and extent of the conflict. The director should also recuse himself from discussions and decisions on matters where he is conflicted. In addition, the director shall disclose any interest involving himself or any member of his immediate family which may conflict with his office as the Bank’s director or the interest of the UOB Group. Such interest would include interest in the securities of and contracts with the UOB Group of companies.

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 BNM in writing of its decision to affirm or change his designation.

18. SUCCESSION

The Board must address succession plans for directors through Nominating Committee, which identifies suitable candidates and initiates the appointment of new members to promote Board’s renewal and address any vacancies.

Appendix 1

INTERNAL RATINGS BASED FRAMEWORK

1. The Board of Directors shall seek to ensure, through periodic reports from and reviews with Senior Management, that the Bank’s IRB systems and practices are integrated into the Bank’s risk management processes and operations.

2. The Board shall review with Senior Management the following:
 - (a) the continuing appropriateness of the internal credit rating process, which shall include review of:
 - (i) reports from Senior Management on its rating and parameterization process to ensure:
 - Meaningful assessment of borrower/customer and facility characteristics of the Bank’s credit exposures;
 - Meaningful differentiation of risk; and
 - Consistent and predictive estimates of IRB parameters suitable for use under IRB to calculate minimum capital requirements.
 - (ii) reports from Senior Management and Staff in the Credit Control function on the following:
 - Consistency of ratings assignments;
 - Parameterization process;
 - Areas needing improvements; and
 - Status of efforts to improve previously identified deficiencies.
 - (iii) reports from Senior Management on:
 - material changes to the rating systems, the parameterization process, and the controls to the rating system and parameterization process;
 - Significant exceptions from established policies and processes; and
 - Any weakness in the Bank’s design and operation of the rating systems.
 - (b) the use of rating systems; and
 - (c) stress test approach

and approve all important aspects of these key areas.

(Senior Management’s oversight of the above key areas shall include articulating its expectation and guidance for the technical and operational aspects, approval of material aspects of these areas and approval of material differences between established procedure and actual practice. Senior Management shall report significant issues to the Board on a regular and timely basis.)

Appendix 2

**ROLES AND RESPONSIBILITIES IN MANAGING MONEY
LAUNDERING/TERRORISM FINANCING (“ML/TF”) RISKS**

The Board of Directors have the following roles and responsibilities:

- (a) maintain accountability and oversight for establishing AML/CFT policies and minimum standards;
- (b) approve policies regarding AML/CFT measures within the Bank, including those required for risk assessment, mitigation and profiling, CDD, record keeping, on-going due diligence, reporting of suspicious transactions and combating the financing of terrorism;
- (c) establish appropriate mechanisms to ensure the AML/CFT policies are periodically reviewed and assessed in line with changes and developments in the Bank’s products and services, technology as well as trends in ML/TF;
- (d) establish an effective internal control system for AML/CFT and maintain adequate oversight of the overall AML/CFT measures undertaken by the Bank;
- (e) define the lines of authority and responsibility for the implementation the AML/CFT measures and ensure that there is a separation of duty between those implementing the policies and procedures and those enforcing the controls;
- (f) ensure effective internal audit function in assessing and evaluating the robustness and adequacy of controls implemented to prevent ML/TF;
- (g) assess the implementation of the approved AML/CFT policies through regular reporting and updates by the Senior Management and the Audit Committee; and
- (h) establish MIS that is reflective of the nature of the Bank’s operations, size of business, complexity of business operations and structure, risk profiles of products and services offered and geographical coverage.
