

Board Charter

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Ayeyarwady Bank Public Company Ltd

BOARD CHARTER

Introduction

1. The Board of Directors Charter (the “Charter”) sets out the objectives, roles and responsibilities and composition of the Board of directors (the “Board”) of the Ayeyarwady Bank PCL (the “Bank”).
2. This Charter will be governed by the relevant guidelines issued by the Central Bank of Myanmar (the “CBM”) and will not, in any way, conflict with same.
3. This Charter must be posted on the Bank’s website.

Definition of the Non-Executive Director

4. An Independent Non-Executive director of the Bank is a person who holds less than 5% of the voting shares of the Bank and is not a Related Party as defined in the Financial Institutional Law.

Fit and Proper Criteria

5. All directors and candidates for the Board of Directors must meet the Criteria under the Directive on Fit and Proper Criteria issued by the CBM.

Election of Board of Directors

6. The Annual General Meeting of the Bank must formally elect the directors from the list of candidates who have been approved by the CBM.

Term of Board of Directors

7. The term of the director shall be 3 years and can be renewed not more than 3 consecutive times.

Vacancy in the Board of Directors

8. When a Director of the Board of Directors position becomes vacant, the Board of Directors by a majority vote can approve the appointment of a new director subject to the prior approval of the CBM and such appointment must be ratified at the next annual general meeting of the shareholders.

Composition of Board of Directors

9. The Board shall consist of a minimum of at least five directors and a maximum of 15 directors and shall include:
- (a) A Chairperson appointed by majority vote of the members of the Board of Directors.
 - (b) A Chief Executive Officer who shall be a member and not be appointed as Chairperson.
 - (c) At least three Independent Non-Executive Directors.
10. The appointment of the Board of Directors shall be staggered to ensure the continuity of the duties and functions of the Board of Directors.

Signing of Oath

11. Every Director elected to the Board of Directors of the Bank must sign an oath of office on the Form prescribed within 30 days of his or her election.
12. Failure to sign an oath of office will render the election of such director invalid.
13. A copy of this oath of office must be provided to the CBM within 14 days of the date of the oath.

Duties, Powers and Responsibilities

14. The Board of Directors has ultimate responsibility for the Bank's business strategy and financial soundness, key personnel decisions, organizational structure, governance framework and practices, risk management and compliance obligations.
15. In discharging these responsibilities, the Board of Directors must take into account the legitimate interests of depositors, shareholders and other relevant stakeholders.
16. The Board of Directors shall establish the Bank's organizational structure.
17. The responsibilities of the Board of Directors shall include –

- (a) keeping up with material changes in the Bank's business and external environment as well as acting on necessary changes in a timely manner to protect the long-term interests of the bank.
- (b) overseeing the development and approval of the Bank's business objectives and strategies and monitoring their implementation.
- (c) playing a leading role in establishing the Bank's corporate culture and values.
- (d) overseeing implementation of the Bank's governance framework and periodically review that it remains appropriate in the light of material changes to the Bank's size, complexity, geographical footprint, business strategy, markets and regulatory requirements.
- (e) establishing, along with Bank's officers, the Bank's risk appetite, taking into account the competitive and regulatory landscape in the banking industry and the Bank's long-term interests, risk exposure and ability to manage risk effectively.
- (f) overseeing the Bank's adherence to its risk policy and risk limits.
- (g) approving the policy and oversee the implementation of key policies and rules pertaining to the Bank's capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations, and the internal control system;
- (h) periodically reviewing key policies and rules to ensure their continued applicability and change or update where necessary.
- (i) requiring the Bank to maintain a robust finance function responsible for accounting and financial data;
- (j) approving the annual financial statements and requiring an annual independent audit.
- (k) approving the selection and performance of the CEO and other Officers.
- (l) overseeing the Bank's policies on salaries and benefits, including monitoring and reviewing executive compensation and assessing whether it is aligned with the Bank's risk culture and risk appetite.
- (m) overseeing the integrity, independence and effectiveness of the Bank's policies and procedures for reporting fraud and other illegal activities.
- (n) overseeing the development of, and approve the Bank's policy on transactions with related parties; and
- (o) overseeing the compliance of the Bank with the Financial Institutions Law, regulations and directives issued there under.

18. The Board of Directors should maintain appropriate records (e.g. meeting minutes, summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) for a period of ten years of its deliberations and decisions.
19. The Board of Directors is responsible for ensuring that the Bank maintains an effective relationship with its regulators.
20. The Board of Directors is responsible for the Bank's compliance with all applicable Laws of Myanmar.

Role and Function of the Chairman

21. The Chairperson is elected by his or her fellow directors.
22. He/she should be a firm, objective and open-minded leader, assuming his/her role by bringing independence of mind and intellectual honesty. Apart from being fully conversant with the key networks of the organization and having sound knowledge of the activities of the organization work.

Responsibilities

23. The main responsibilities of a chairman can be summarized under the following areas:

(a) *Strategy and Management of the Company*

- To ensure that the Board is effective in its tasks of setting and implementing the Bank's direction and strategy.
- To co-ordinate the Committees to ensure that appropriate policies and procedures are in place for the effective management of the organization.
- To ensure that the decisions by the Board are executed.
- To sign the Statement of Compliance to be filed with the Financial Reporting Council along with a director to confirm whether the Company has complied fully, partially or has not complied with the Code of Corporate Governance.

(b) Leadership

- To provide overall leadership to the Board, be impartial and resolve differences in the most constructive way, whilst encouraging and ensuring the active participation of all directors in discussions and Board matters.
- To participate in the selection of the board members whilst ensuring that the board has an appropriate mix of competencies, experience, skill and independence.
- To provide support and supervision to the CEO.

(c) Presiding and conducting meetings

- To set the agenda for Board meetings, therefore giving the meetings their direction and scope.
- To preside over the Board meetings and shareholder's meetings of the Bank and to ensure the smooth functioning of the meetings.
- To ensure that Board meetings take place regularly and that all the relevant information and facts are placed before the Board to enable the directors to reach informed decisions.
- To ensure that each meeting is planned effectively, conducted according to the Constitution and that matters are dealt with in an orderly, efficient manner.
- To ensure that proper minutes are taken and sign the minutes of Board meetings and shareholder's meetings jointly with the Secretary. Minutes which have been signed correctly by the Chairperson of the meeting are prima facie evidence of the proceedings.

(d) Relations with the Shareholder

- To act as the Bank 's leading representative and be the spokesperson at functions and meetings to present the aims and policies of the Bank.
- To maintain sound relations with the Bank 's shareholders and ensure that effective communication and disclosures are being carried out.
- To ensure that all directors are made aware of the main concerns of the shareholder and key stakeholders and that their views be communicated to the Board as a whole.

(e) Induction, Development, Succession and Performance Evaluation

- To ensure that newly appointed directors participate in an induction program with the support of the Corporate Secretary.
- To ensure that the development needs of the directors are identified, and appropriate training be provided to continuously update the skills and knowledge of the directors so that they fulfill their role on the Board and its committees.
- To identify the development needs of the Board as a whole to promote its effectiveness as a team.
- To oversee a formal succession plan for the Board, CEO and certain senior management positions, in collaboration with the Nomination and Remuneration Committee.

Chief Executive Officer (CEO)

24. The role of the CEO shall be to:

- (a) Ensure that the policies spelt out by the Board in the Bank's overall corporate strategy are implemented.
- (b) Identify and recommend to the board competent officers to manage the operations of the institution. In the fulfilment of this duty, the CEO should ensure that the institution's human resources policy is adhered to.
- (c) Co-ordinate the operations of the various departments within the institution.
- (d) Establish and maintain efficient and adequate internal control systems.
- (e) Design and implement the necessary management information systems in order to facilitate efficient and effective communication within the institution.
- (f) Ensure that the Board is frequently and adequately appraised about the operations of the institution through presentation of relevant board papers, which must cover, but are not limited to, the following areas:
 - Actual performance compared with the past performance and the budget together with explanations of all the variances.
 - Capital structure and adequacy.
 - Advances performance in particular problem loans, losses, recoveries and provisions.
 - Income and expenses.
 - Deposits: sources and distribution profile.

- All insider transactions that benefit directly or indirectly any officer or shareholder of the institution.
- Report on violation of laws and remedial activities undertaken to ensure compliance with the banking laws and CBM guidelines.
- Large exposures.
- Non-performing insider loans.
- CBM, external, internal and audit committee reports.
- Any other areas relevant to the Bank's operations.
- Ensure that the institution complies with all the relevant banking and other applicable laws in the execution of its operations.
- Any other duties as may be assigned by the Board from time to time

Conflicts of Interest

25. The Board of Directors shall adopt a formal written conflicts-of-interest policy which shall apply to the members of the Board of Directors as well as the Officers of the bank and compliance process for implementing the policy.

26. The conflict-of-interest policy shall require a member of the Board of Directors and Officers to disclose all direct and indirect substantial financial and commercial interests of the directors and officers, and his or her relative in the bank.

27. The conflict-of-interest policy must include:

- (a) a director's duty to avoid, to the extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest.
- (b) examples of where conflicts can arise when serving as a board of directors.
- (c) a rigorous review and approval process for directors to follow before they engage in certain activities so as to ensure that such activity will not create a conflict of interest.
- (d) a director's duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest.
- (e) a director's responsibility to abstain from voting on any matter where the director may have a conflict of interest or where the director's objectivity or ability to properly fulfill duties to the bank may be otherwise compromised.
- (f) adherence to the bank policy on related party transactions.

- (g) the way in which the Board of Directors will deal with any non-compliance with the policy.
- (h) format to follow in reporting information; and
- (i) annual updates to the disclosure.

Prohibitions on a Director

28. A Director shall not-
- (a) engage in any activity which would be against the interests of the bank.
 - (b) simultaneously be a director or officer of another bank or financial institution.
 - (c) interfere in day-to-day management of the bank.
 - (d) engage in any transactions with the bank where he has a direct or indirect financial interest in the customer of the bank.
 - (e) engage in any activity resulting in personal benefit by misusing the name and office assumed.
 - (f) divulge confidential customer information and contravention of FI Law; and
 - (g) engage in any activity which renders the director no longer fit and proper to hold office as defined in the CBM Directive on Fit and Proper Criteria.

Professional Development of Directors

29. All directors shall undergo the necessary training every 2 years to enable them to fulfil their duties effectively.

Liability of Directors and Chief Executive Officers

30. Directors and Chief Executive Officers must discharge their duties with honesty and integrity.

31. A director and Chief Executive Officer of the “Bank” shall be liable for any loss, or damages sustained by the bank, any depositor of the bank or any other person as a result of his or her gross negligence or willful misconduct in the performance of his or her functions or duties.

Code of Conduct

32. The Board shall adopt a Code of Conduct for all directors and employees that addresses, among other things, conflict of interest and which shall be reviewed and updated regularly.

Relation with Shareholders

33. The Board shall recognize, respect and protect the rights of shareholders and shall ensure equitable treatment of all shareholders in the same class of issued shares.

34. The Board shall provide shareholders with information as is required under the applicable law and shall establish mechanisms to ensure effective communication with shareholders.

Relation with Stakeholders

35. The Board shall have a stakeholder-inclusive approach and will be responsible for giving due consideration to the legitimate interests and expectations of the Bank's stakeholders in its deliberations, decisions and actions.

36. The Board shall establish effective communication with the Bank's stakeholders, including the media, as may be appropriate.

Meetings and Minutes

37. Meetings of the Board of Directors shall be carried out as follows:

- (a) Meetings of the Board of Directors must be held at least 12 times a year, provided that the interval between two meetings shall not exceed two months.
- (b) The Chairperson may also call for a special meeting at any time when at least two-thirds of the Directors request a meeting in writing.
- (c) Meetings of the Board of Directors shall be presided over by the chairperson.
- (d) In the absence of the chairperson, the meeting shall be presided over by a Director selected by the majority of the Directors present at the meeting.
- (e) Half of the members of the board, including at least one independent non-executive director shall constitute the quorum.

- (f) The decision of a majority in the meeting of the Board of Directors shall be binding and in the event of a tie, the Chairman shall have the deciding vote.
- (g) Minutes of the meeting including the names of Directors present at the meeting and the decisions taken shall be recorded, and such minutes shall be signed by all Directors present at the meeting.
- (h) Minutes of the meeting should include the names of any person attending the meeting who is not a member of the board.
- (i) A Director must attend all meetings of the Board of Directors if there is no reasonable cause.
- (j) The position of a Director who misses more than 3 consecutive meetings without reasonable cause and prior notice, shall be considered vacant.
- (k) The minutes of the meeting must record any opinion opposed to all differing from the decision taken at the meeting.

Board Committees

38. The Board must establish standing and, from time to time, ad hoc Committees to assist it in carrying out its responsibilities.

39. For each Committee the Board shall adopt a charter setting out its objectives, composition, frequency of meetings, powers and resources, duties and responsibilities, reporting structure and any other relevant matters. The appointment of a Chairperson and of the members of any Board Committee shall be made by the Board.

Corporate Secretary

40. The Board will appoint at least one Corporate Secretary. The appointment and removal of a Corporate Secretary will be subject to Board approval.

41. The Corporate Secretary is responsible for the co-ordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies.

42. All Directors shall have direct access to the Corporate Secretary.

Review of Charters

43. Board and Committee Charters will be reviewed every two years or as required.