



**TOKIO MARINE**  
INSURANCE GROUP

# BOARD CHARTER

## Tokio Marine Life Insurance Malaysia Bhd.

Registration No. 199801001430 (457556-X)

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## PURPOSE

The Board Charter sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including the matters reserved for the Board's decision.

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## BOARD COMPOSITION

### BOARD OF DIRECTORS (BOD)

- Mr. U Chen Hock, Chairman, Independent Non-Executive Director
- Ms. Chuah Sue Yin, Senior Independent Director
- Ms. Tan Ming-Li, Independent Non-Executive Director
- Mr. Tang Loo Chuan, Non-Independent Executive Director

### BOARD AUDIT COMMITTEE (AC)

- **Chairperson:** Ms. Chuah Sue Yin, Independent Non-Executive Director
- Mr. U Chen Hock, Independent Non-Executive Director
- Ms. Tan Ming-Li, Independent Non-Executive Director

### BOARD RISK MANAGEMENT & COMPLIANCE COMMITTEE (RMCC)

- **Chairperson:** Ms. Tan Ming-Li, Independent Non-Executive Director
- Ms. Chuah Sue Yin, Independent Non-Executive Director
- Mr. U Chen Hock, Independent Non-Executive Director

### BOARD NOMINATING COMMITTEE

- **Chairperson:** Ms. Chuah Sue Yin, Independent Non-Executive Director
- Mr. U Chen Hock, Independent Non-Executive Director
- Ms. Tan Ming-Li, Independent Non-Executive Director
- Mr. Tang Loo Chuan, Non-Independent Executive Director

### BOARD REMUNERATION COMMITTEE

- **Chairperson:** Ms. Chuah Sue Yin, Independent Non-Executive Director
- Mr. U Chen Hock, Independent Non-Executive Director
- Ms. Tan Ming-Li, Independent Non-Executive Director

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## TERMS OF REFERENCE OF BOARD OF DIRECTORS

### 1. PURPOSE

The Board of Directors (“**Board**”) is responsible for the proper stewardship of Tokio Marine Life Insurance Malaysia Bhd (“**Company**”) by ensuring the achievement of its corporate objectives while inculcating sound corporate governance. The primary objective of the Board is to ensure that the affairs of the Company are managed effectively in a manner that is not prejudicial to the interests of stakeholders.

### 2. APPLICABLE ACT OR GUIDELINES

The requirements and expectations of Bank Negara Malaysia (“**BNM**”) in respect of the Board’s duties and responsibilities are stipulated in the relevant Act, prescribed regulations and/or guidelines, including but not limited to the following:

- Companies Act 2016;
- Financial Services Act 2013 (“**FSA**”);
- BNM/RH/PD 029-9 Corporate Governance; and
- BNM/RH/GL 013-5 Risk Governance.

### 3. DUTIES AND RESPONSIBILITIES

#### 3.1 Duties and Responsibilities Stipulations under FSA

Sections 56, 57 and 58 of the FSA specify the following:-

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| <b>Functions and duties of board of directors</b><br><br>(Section 56(2) of FSA) | <ol style="list-style-type: none"><li>(1) set and oversee the implementation of business and risk objectives and strategies and in doing so shall have regard to the long term viability of the Company and reasonable standards of fair dealing;</li><li>(2) ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the Company;</li><li>(3) oversee the performance of the senior management in managing the business and affairs of the Company;</li><li>(4) ensure that there is a reliable and transparent financial reporting process within the Company; and</li></ol> |
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|   | (5) promote timely and effective communications between the Company and the regulator on matters affecting or that may affect the safety and soundness of the Company.  |
| <b>Duties of Directors</b><br><br>(Section 57 of FSA)   | Every director shall at all times-<br><br>(a) act in good faith in the best interests of the Company;<br>(b) exercise reasonable care, skill and diligence with<br>(i) the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and<br>(ii) any additional knowledge, skill and experience which the director has;<br>(c) only exercise powers conferred on him/her for the purposes for which such powers are conferred; and<br>(d) exercise sound and independent judgment.   |
| <b>Duty to disclose interest in material transaction or material arrangement</b><br><br>(Section 58 of FSA) | (1) All directors shall disclose to the Board of Directors the nature and extent of his/her interest, whether directly or indirectly, in a material transaction or material arrangement with the institution.<br><br>(2) Whether or not a declaration under item (1) above has been made, a director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the board meeting where the material transaction or material arrangement is being deliberated by the Board of Directors.<br><br>(3) Where there is any change in the nature and extent of a director's interest in a material transaction or material arrangement subsequent to the disclosure pursuant to item (1), the director shall make a further disclosure of such changes in accordance with item (1).<br><br>(4) For the purposes of subsection (1), the Bank may specify<br>a) the time, form, manner, procedures or any other incidental or ancillary matters in which the disclosure under subsection (1) is to be made; and<br>b) what constitutes a material transaction or material arrangement. |



### 3.2 Other Duties and Responsibilities

Responsibilities of the Board include, but are not limited to the below:

- (a) To review and approve a strategic plan for the Company including the 3-year IT and cybersecurity strategic plans, to ensure that they support long-term value creation and take into account environment, social and governance considerations underpinning sustainability.
- (b) To review and approve the Company's overall risk strategy, risk appetite including the technology risk appetite; and oversee its implementation.
- (c) To identify principal risks and ensure the implementation of appropriate systems to manage these risks, including application of immediate remedial measures should the need arise.
- (d) To ensure the Company maintains an appropriate level and quality of capital for its risk profile and business plan.
- (e) To approve and oversee the effective implementation of sound and robust technology risk management framework (TRMF) and cyber resilience framework (CRF), and ensure the risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive.
- (f) To oversee the conduct of the Company's business, including that of Participating business, to ensure sound management by the senior management and to evaluate whether the business is properly managed towards achieving corporate objectives, and that the Company's dealings with shareholders, policyholders, claimants and creditors are conducted in a fair and equitable manner.
- (g) To safeguard the integrity and credibility of the Company, including ensuring that the senior management and all levels of employees conduct business with highest level of moral behaviour and in a manner that instils public confidence.
- (h) To provide a clear framework of objectives and policies for the senior management to operate, including the setting of authority limits and reporting lines.
- (i) To review and be responsible for the adequacy and integrity of the Company's internal control systems and management information systems, including policies and procedures for compliance with applicable laws, regulations, rules, directives and guidelines.
- (j) To develop, implement and maintain an effective communications policy that enables both the Board and the senior management to communicate effectively with its shareholders, stakeholders and public.
- (k) To safeguard the interests of policyholders and shareholders with trustworthy, prudent, efficient and able administration.
- (l) To adhere to sound corporate governance principles in the appointment/reappointment of directors, Chief Executive Officer ("CEO") and Company Secretary, the structure and composition of the Board and the individual Board committees as well as relevant disclosures.



- (m) To approve the appointment, remuneration and dismissal of the CEO / senior management/regulated management positions and the remuneration policy for the Company.
- (n) To ensure succession planning is in place, including the appointment, training, setting up of compensation and where appropriate, replacement of directors, CEO and senior management members.
- (o) To be responsible for the management of the Company's affairs under the law, including the consequences of unsound or imprudent policies and practices.
- (p) To ensure timely engagement with BNM on strategic and regulatory developments at the group level that may significantly impact the Company.
- (q) To review and approve policies relating to fair treatment of consumers.
- (r) To review and approve policies for managing product risks for new products as well as re-pricing or effecting changes to the terms and conditions of existing products.

The guidance notes on duties and responsibilities is annexed herewith as **Appendix I**.

## **4. ROLES OF CHAIRMAN, INDEPENDENT DIRECTOR, SENIOR INDEPENDENT DIRECTOR AND EXECUTIVE DIRECTOR**

### **4.1 Chairman**

The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board.

In fulfilling this role, the Chairman must:

- (a) ensure that appropriate procedures are in place to govern the Board's operation;
- (b) ensure that decisions are taken on a sound and well-informed basis, by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis;
- (c) encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- (d) lead efforts to address the Board's developmental needs.

### **4.2 Independent Director and Senior Independent Director**

The Independent Director should immediately disclose to the Board any change in his/her circumstances that may affect his/her status as an Independent Director. In such a case, the Board must review his/her designation as an Independent Director and notify BNM in writing of its decision to affirm or change his/her designation.





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The responsibilities of an Independent Directors should, amongst others, include the following:

- (a) to enhance the independence and objectivity of the Board’s deliberations from the executive arm of the Company;
- (b) to mitigate any possible conflict of interests between the policymaking process and the day-to-day management of the Company;
- (c) to constructively challenge and contribute to the development of strategies for the Company;
- (d) to ensure that the Board uses adequate systems and controls to safeguard the interests of the Company;
- (e) to provide the “check and balance” function to the Board; and
- (f) to monitor and provide an objective view on the performance of executive directors and management in meeting the agreed goals and objectives.

A senior Independent Director among the Independent Directors shall be appointed by the Board. The responsibilities of the Senior Independent Director, amongst others, include the following:

- (a) to act as a sounding Board for the Chairman and CEO on board matters;
- (b) to act as a trusted intermediary for other Directors on sensitive issues when necessary;
- (c) to be the point of contact for shareholders and other stakeholders when the normal channel of communication is considered to be inappropriate or inadequate; and
- (d) Chair meetings of the Board in the absence of the Chairman.

#### 4.3 Executive Director

Executive Director is an employee of the Company or any of its affiliates and is normally a nominee of a substantial shareholder or holding company of the Company. Executive Director acts as a bridge between Management and holding company. The Executive Director could provide the relevant checks and balances, focusing in shareholders’ and other stakeholders’ interests and ensuring that high standards of corporate governance are applied. The Executive Director also provide business guidance to the Management and contributing positively to the Board through their strong technical knowledge, exposure in various markets and sharing of knowledge and best practices.

The responsibilities of an Executive Director are to:

- (a) Monitor Management’s strategy implementation and operational performance;
- (b) Advise and direct Management in the development and evaluation of strategy;

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- (c) Satisfy themselves that financial information is accurate;
- (d) review to ensure that the risk management and internal control systems are robust and defensible; and
- (e) advise the Board on strategic and regulatory developments at the group level that may significantly impact the operations of the Company.

## 5. SIZE AND COMPOSITION

### 5.1 Appointment

- (a) Prior written approval of BNM is required before the appointment/reappointment of any person as a Director, for the duration of the term specified by BNM. The terms of appointment may be reviewed from time to time as the Board deems fit.
- (b) A Director must not be disqualified under section 59(1) of the FSA or section 68(1) of the IFSA, and must have been assessed by the Nominating Committee to have complied with the fit and proper requirements.
- (c) A Director must not be an active politician.
- (d) Any of the officers of the External Audit firm who directly involved in the engagement and any partner of the External Audit firm must not serve or be appointed as a Director of the Company until at least two years after-
  - (i) he ceases to be an officer or partner of that firm; or
  - (ii) the firm last served as an auditor of the financial institution.
- (e) Directors are not allowed to appoint alternate Directors.

### 5.2 Composition

- (a) The maximum number of Directors shall not more than fifteen (15) and the number shall not be less than the minimum required by the Companies Act 2016.
- (b) The Board must have a majority of Independent directors at all times.
- (c) The Board must not have more than one (1) executive Director, unless the BNM approves otherwise in writing.



### 5.3 Chairman

- (a) The Chairman of the Board must not be an executive Director, and must not have served as a CEO of the Company in the past five (5) years.
- (b) To promote robust and open deliberations by the Board on matters referred by the Board Committees, the Chairman of the Board must not chair any of the Board Committees.

### 5.4 Independent Director

- (a) The Independent Director shall comply with the definition of Independent Director as prescribed by BNM. An Independent Director must be independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. The definition of an Independent Director is set out under item 10 of this document.
- (b) The tenure for Independent Directors should not exceed nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans.

### 5.5 No. of Directorships

- (a) A Director must not have competing time commitments that impair his ability to discharge his duties effectively. The number of directorships is capped to fifteen (15) entities other than the Company for Independent Director. The number of directorships in other companies within the same group is aggregated and counted as one. Directorships in family-owned companies should be aggregated and counted as 1 directorship. Directorships or council positions in organizations that exist for the development of the insurance industry, professional bodies, non-profit social organizations, government bodies and government-controlled companies are excluded from the computation of the limit.
- (b) For Executive Director/CEO, the number of directorships should not more than five (5) entities other than the Company and the number of directorships in other companies within the same group is aggregated and counted as one. Directorships in family-owned companies should be aggregated and counted as 1 directorship. Directorships or council positions in organizations that exist for the development of the insurance industry, professional bodies, non-profit social organizations, government bodies and government-controlled companies are excluded from the computation of the limit.



## 5.6 Cessation/Removal/Resignation

- (a) Unless the written approval of the BNM has been obtained, a Director whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such capacity, including by participating in Board Meetings or holding himself out as a Director.
- (b) The Board may recommend the removal of directors to the shareholders based on recommendations from the Nominating Committee.
- (c) The written approval of the BNM must be obtained before the Company removes an Independent Director and an Independent Director resigns from his position.

## 5.7 Company Secretary

- (a) Appointment and removal of the Company Secretary must be approved by the Board.
- (b) The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provides counsel to the Board on governance matters and facilitates effective information flows between the Board, the Board Committees and senior management.
- (c) The Company Secretary shall keep confidential the affairs of the Company and its officers at all times.
- (d) Where the Company Secretary also serves as Company Secretary for the Company's affiliates, he/she shall not disclose the affairs of the Company or its officers to the affiliates except with the knowledge and consent of the financial institution.

# 6. BOARD EVALUATION AND SUCCESSION

The Board Evaluation and Succession sets out an outline of the steps and processes involved in the evaluation, appointment/re-appointment, and succession of the Company's Board of Directors. The details of which are annexed herewith as Appendix III.

# 7. MEETINGS

## 7.1 Frequency and Mode of Meeting



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- (a) The Board should meet at least once every quarter to deliberate on the policies and performance of the Company, the direction of policies and to provide guidance to the senior management. Meeting may be held in a physical, virtual or hybrid format.
- (b) A Director may at any time, and the Company Secretary shall on the requisition of a Director, summon a Board meeting.
- (c) The Board meetings shall be scheduled in advance at the end of the prior calendar year to enable the Board members to plan their schedules accordingly.

## **7.2 Notice and Meeting papers**

The agenda together with the meeting papers shall be circulated to the Board at least seven (7) days prior to each Board Meeting to accord sufficient time for the Directors to review and consider issues to be discussed at the Board Meetings and such period may be shortened or dispensed with provided the Chairman so agree.

## **7.3 Quorum**

The quorum for any Board meeting shall be half of the total number of the Board.

## **7.4 Chairman of the Meeting**

All Board meetings shall be chaired by Chairman of the Board. For any Board meeting held in the absence of the Board Chairman, the Directors present shall appoint one of them, who is not an Executive Director, to chair the Board meeting.

## **7.5 Secretary**

The Company Secretary should act as the Secretary of the Board Meeting.

## **7.6 Voting**

- (a) The decisions of the Board shall be made by way of majority of votes.
- (b) In the event of equality of votes, the Board Chairman shall have the second or casting vote. However, the Board Chairman shall not have a second or casting vote where there are two Directors present at the meeting and the resolution in question shall not be carried.
- (c) Any Director who has a direct or deemed interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the Board meeting. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.

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- (d) Invitees (if any) shall not have any voting rights.

## **7.7 Attendance**

- (a) Each individual Director is required to attend at least 75% of Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his/her behalf.
- (b) Notwithstanding that the directors are not present together in one place, the Board may hold meetings by means of teleconferencing, video conferencing or similar communications equipment whereby the directors participating in the meeting can hear one another without being in the physical presence of one another and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. Attendance by way other than physical presence shall remain the exception rather than the norm, and the directors shall ensure appropriate safeguards to preserve the confidentiality of the deliberations.
- (c) The Board may invite any person to be in attendance to assist it in its deliberations. Other invitees, if any, shall be on a need basis only and for specific issues only with the Board Chairman's approval.

## **7.8 Minutes of the Board Meetings**

Minutes of the Board meeting shall be recorded by the Company Secretary or any persons so appointed by the Board. The minutes should document the key deliberations, rationale for each decision made, any significant concerns or dissenting views.

## **7.9 Circular resolution**

A resolution in writing signed by all Directors for the time being, shall be as effective as a resolution passed at a meeting of the Directors duly convened and held. Any such resolution may consist of several documents in the like form, each signed or assented to by one or more of the Directors, transmitted by the Directors via facsimile transmission or email or other similar means of communication to the Company Secretary.

## **8. Accessibility of information and advice**

- (a) Board members must have complete unimpeded access to the Management. Board members have unrestricted access to all information and documents relevant to the business and affairs of the Company including the Company's external auditor and consultants.



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- (b) In order to discharge its responsibilities effectively, each member of the Board may seek independent professional advice, at the Company's expense, on any matter connected with the discharge of your responsibilities as a Director.
- (c) The said Director shall first discuss the intention and reason for seeking independent advice with the Chairman and with the permission of the Chairman, submit the request to seek professional independent advice together with the proposed cost involved for the Board's consideration. Copies of this advice must be made available to, and for the benefit of, all Board members, unless the Chairman otherwise agrees.
- (d) Independent professional advice shall exclude any advice concerning the personal interests of the Directors (such as with respect to their contracts or disputes with the Company), unless these are matters affecting the Board as a whole and unanimous agreement obtained from the Board.

## 9. BOARD AUTHORITY AND BOARD COMMITTEES

- (a) The Board holds decision-making powers. The mandatory matters that need to be reported to or prior approval required to be sought from the Board are set out in the mandatory approval and reporting rules annexed herewith as **Appendix II**.
- (b) The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference to assist the Board in the execution of its duties and responsibilities.
- (c) The respective Committees report to the Board on matters discussed and deliberated and makes recommendations to the Board for final decision. The Board remains fully accountable for any authority delegated to the Board Committees.
- (d) The Board Committees comprise the following:-
  - (i) Audit Committee;
  - (ii) Risk Management & Compliance Committee;
  - (iii) Nominating Committee; and
  - (iv) Remuneration Committee.

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## 10. TRAINING

- (a) All newly appointed Directors are required to attend the in-house orientation and education programmes within 3 months from his/her date of appointment, covering the nature of business, corporate strategy, overview of financial health, director and Board's duties and responsibilities, overview of business risks, risk management strategy; legal requirements and compliance control.
- (b) In addition, all Directors is required to attend the Financial Institutions Directors' Education Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance within one year from his/her date of appointment.
- (c) In order to keep the Directors abreast with the dynamic and complex business environment as well as new statutory and regulatory requirements, the Board must dedicate sufficient resources toward the on-going development of its Directors.

## 11. DEFINITIONS

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| <b>Affiliate</b>                        | In relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the Company.  |
| <b>cyber resilience framework (CRF)</b> | A framework for ensuring the Company's cyber resilience.  |
| <b>Executive director</b>               | Person who has management responsibilities in the Company or any of its affiliates (whether or not he is an officer of the Company or any of its affiliates).   |
| <b>Independent director</b>             | An independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him-<br><br>(a) has been an executive in the last 2 years;<br>(b) is a substantial shareholder of the Company or any of its affiliates; or |





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|  | <p>(c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last 2 years.</p> <p>A person is “linked” to another person where -</p> <ul style="list-style-type: none"><li>(i) one person is accustomed to represent, or take instructions from, the other person;</li><li>(ii) they are relatives; or</li><li>(iii) one person is an entity, and the other person is a partner, shareholder, director or officer of that entity or its affiliate;</li></ul> <p><u>Financial Services Act 2013:</u></p> <p>“relative” in relation to an individual means:-</p> <ul style="list-style-type: none"><li>(a) the spouse of the individual;</li><li>(b) the brother or sister of the individual, or of the spouse of the individual;</li><li>(c) any lineal ascendant or descendant of the individual, or of the spouse of the individual;</li><li>(d) the spouse of any individual referred to in paragraph (b) or (c);</li><li>(e) any lineal descendant of an individual referred to in paragraph (b) or (d);</li><li>(f) any uncle, aunt or cousin of the individual, or of the spouse of the individual; or</li><li>(g) any spouse, or any lineal ascendant or descendant, of an individual referred to in paragraph (f).</li></ul> |
| <b>IT and cybersecurity strategic plan</b> | These plans shall address the Company’s requirements on infrastructure, control measures to mitigate IT and cyber risk and financial and non-financial resources, which are commensurate with the complexity of the Company’s operations and changes in the risk profile as well as the business environment.   |
| <b>key responsible persons</b>             | As defined in the Company’s Fit & Proper Policy.  |
| <b>material technology projects</b>        | Refers to projects which involve critical systems, the delivery of essential services to customers or counterparties, or compliance with regulatory requirements.   |



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| <b>Regulated Management Position</b>               | Key management positions, i.e., Deputy CEO, Appointed Actuary, Chief Internal Audit (or its equivalent), Chief Risk Officer (or its equivalent), Chief Compliance Officer (or its equivalent) or any other positions regulated by Bank Negara Malaysia or other government statutory. |
| <b>senior management</b>                           | Senior officers determined by the Chief Executive Officer from time to time.  |
| <b>technology risk management framework (TRMF)</b> | A framework to safeguard the Company's information infrastructure, systems and data.  |

## 12. AMENDMENTS TO TERMS OF REFERENCE

The Board TOR will be reviewed periodically by the Board and made available on the Company's website. Any amendments or changes to this Terms of Reference must be approved by the Board of Directors and documented.



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## APPENDIX I: GUIDANCE NOTES ON DUTIES AND RESPONSIBILITIES

### Strategic Plans

- To provide a framework of objectives and policies and approve policies on critical areas of operations, including but not limited to, solvency management, underwriting, claims management, reinsurance, investment, loans, compliance, risk management, financial planning and budgeting, human resource management and product development within which the senior management are to operate.
- To ensure that the Company has a beneficial interest on the national economy, which includes the continuing responsibility to provide insurance services and facilities that are conducive for well-balanced economic growth and consistent with national objectives.

### Conduct of Business

- To effectively supervise the affairs of the Company to ensure sound management as the ultimate responsibility for the sound management and business operations of the Company rests with the Board, including the proper management of the assets of the Company to meet its liabilities and in compliance with relevant legal and regulatory requirements.
- To be regularly informed of the financial condition, business performance and management policies of the Company to have adequate information to provide effective strategic direction to the Company and to retain record of minutes of Board meetings and record of actions by directors in connection with their oversight functions.
- To meet at least once every quarter to deliberate on the policies and performance of the Company, the direction of policies and to provide guidance to management.
- To act honestly for the benefit of the Company and to avoid self-serving practices and conflicts of interest which includes disclosure of outside business interests and prohibition of lending to directors or director-related firms and corporations under the applicable Acts / regulations / guidelines and not retaining commission on policies sold.
- To be familiar with and strictly observe all laws, rules and regulations as part of their statutory duties, including compliance with laws pertaining to certain restrictions, prohibitions and liabilities of directors, for which directors may be penalized for any non-compliance with legal requirements and be removed from office if found to have acted against the interest of policy owners and/or the Company.

### Risk Management

- To establish a Risk Management Committee in line with BNM's guidelines on Corporate Governance (BNM/RH/PD 029-9), Risk Governance (BNM/RH/GL013-5) and BNM/RH/PD 028-98 Risk Management in Technology.

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- To consider the Company's risk appetite including the technology risk appetite when it approves management actions, including new product lines and business expansions and in assessing the remuneration policies and overall adequacy of capital and liquidity buffers for the Company.
- To review and affirm the Company's risk appetite regularly to ensure that it continues to be relevant and reflects any changes in the Company's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions.
- To oversee the design and development of the risk management framework and ensure that the framework is effective for controlling risk-taking activities of the Company in line with the Company's risk appetite and has taken into account changes in the business environment. In doing so, the Board should provide constructive challenge to management on the credibility and robustness of the framework to ensure that there are no material gaps or weaknesses.
- To take the lead in establishing the tone-at-the-top and in upholding standards of conduct, organisational practices and corporate values that are consistent with the Company's overall risk appetite. This includes ensuring that risk managers actively participate and are engaged in discussions on strategic business issues, in supporting an enterprise-wide view of risk and promote the alignment of relevant risk mitigation activities.

#### **ICAAP and CMP**

In exercising its oversight responsibilities, the Board is expected to:

- approve the Company's risk appetite/risk tolerance and capital management framework; and
- ensure that senior management discharges its responsibilities for the development and effective implementation of the ICAAP.

#### **Succession Planning**

- To establish Nominating and Remuneration Committees in line with BNM/RH/PD 029-9 Corporate Governance.
- To establish and regularly review succession plans for the Board to promote board renewal and address any vacancies.

#### **Communication Policy**

To ensure that the management put in place effective channels of communication covering the following areas:-

- Regular evaluation of the Company's organization structure to identify communication gaps.

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- Documentation of important policies and procedures (including but not limited to - underwriting, claims, reinsurance, investment, etc.) that are readily accessible.
- Implementation of structured induction programs for new recruits in core functions for familiarization with the Company's organization structure, internal policies and procedures and regulatory requirements.
- Composition and frequency of divisional/business unit meetings
- List of types of priority information (e.g. new regulatory requirements, reinsurance failures, large claims) to be communicated immediately and channel of communications
- Procedures for verification of important information and timely transmittal to relevant personnel
- Effectively interpret the operations of the Company to the shareholders and must accommodate feedback from shareholders, which should be factored into the Company's business decisions.

### **Internal Control**

To establish an Audit Committee and Internal Audit Department in line with the minimum standards stipulated by BNM.

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## APPENDIX II: Mandatory Approval & Reporting Rules (MAR Rules)

### Explanatory Notes to the MAR Rules:

- Mandatory matters that need to be reported to or prior approval required to be sought from the Board are set out in the MAR Rules.
- The Board may at any point in time require management to report to or to table for approval the matters excluded in the table above or to include any other matters deemed necessary by the Board.

| No. | MANDATORY APPROVAL & REPORTING RULES FOR GROUP COMPANIES  | Written Resolutions of the Board of Directors for Approval | Matters to be Reported to the Board of Directors |
|-----|---|--|--|
| A   | <b>【Significant matters related to management】</b>  |  |  |
| A1  | Decision on material investments (establishment of a company, acquisition, capital increase, liquidation, sale, capital decrease, etc.)   | ○  |  |
| A2  | Material change in business domain / line   | ○  |  |
| A3  | Material change in shareholders   | ○  |  |
| A4  | Appointment and dismissal of CEO (*) and other senior officers (**) (*) Including equivalent positions such as President, CE and MD<br>(**) Senior officers whose appointment and dismissal require Board or Board committee approval | ○  |  |
| A5  | Appointment and dismissal of directors  | ○  |  |
| A6  | Resignation of CEO, senior officers and directors   |  | ○  |



| No.    | MANDATORY APPROVAL & REPORTING RULES FOR GROUP COMPANIES  | Written Resolutions of the Board of Directors for Approval | Matters to be Reported to the Board of Directors |
|--------|---|--|--|
| A7     | Establishment, abolition and significant change of material human resources management policy (Examples: Appraisal and remuneration policies, and other matters which may have a serious impact on human resources planning and business plan)  | ○  |  |
| A8     | Conclusion, significant modification and termination of material contracts (Examples: Outsourcing contracts for investment, Other material contracts (Material ones among contracts of business alliance, intra-group transactions, etc.))  | ○  |  |
| A9 (a) | Establishment, abolition and significant change of material internal rules and guidelines (Examples: Articles of incorporation, By-laws, Board terms of reference, Board committees' charters, Risk management policy, Emergency management policy, BCP, Information security policy, Code of conduct, Personnel rules, Underwriting guidelines, Investment guidelines etc.) <sup>1</sup> | ○  |  |
| A9 (b) | Other change of material internal rules and guidelines (Examples: Articles of incorporation, By-laws, Board terms of reference, Board committees' charters, Risk management policy, Emergency management policy, BCP, Information security policy, Code of conduct, Personnel rules, Underwriting guidelines, Investment guidelines etc.)   |  | ○  |
| A10    | Establishment, abolition and any change of the following internal rules and guidelines (Investment guidelines, Compliance and risk management incident reporting rules)   | ○  |  |
| A11    | Establishment, abolition or changes of any other guidelines or policies deemed necessary by the Board   | ○  |  |
| A12    | Formation, abolition, change of material organizations  |  | ○  |

<sup>1</sup> Documents listed in A9(a) are just examples. Determination of material rules and guidelines varies depending on operations and business models of each company.



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| No.      | MANDATORY APPROVAL & REPORTING RULES FOR GROUP COMPANIES  | Written Resolutions of the Board of Directors for Approval | Matters to be Reported to the Board of Directors |
|----------|---|--|--|
| A13      | Entering into or settling any material litigation   | ○  |  |
| A14      | Acquisition and disposition of material assets  | ○  |  |
| A15      | Minutes of Board Meetings   | ○  |  |
| A16      | Matters resolved at Board Meetings  | ○  |  |
|          |   |  |  |
| <b>B</b> | <b>【Matters related to Japanese authorities】 (including matters of affiliate companies)</b>   |  |  |
| B1       | Change in name of operation (including decision of corporate identity (CI))   | ○  |  |
| B2       | Change of address of principal office (including change of registered address)  | ○  |  |
| B3       | Change in percentage of voting rights held in Tokio Marine Group  | ○  |  |
| B4       | Matters that require acquisition of license or filing of notification by TMHD or TMNF to the relevant authorities pursuant to laws and regulations of Japan | ○  |  |
|          |   |  |  |
| <b>C</b> | <b>【Matters related to business plan, business overview】</b>  |  |  |
| C1       | Decision on or change in strategy / business plan (annual and mid-to-long- term) (including investment annual plans and IT annual plans)                    | ○  |  |
| C2       | Business overview (at least quarterly and including large loss reports, investment performance reports and progress reports of material IT projects)        |  | ○  |

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| No.      | MANDATORY APPROVAL & REPORTING RULES FOR GROUP COMPANIES   | Written Resolutions of the Board of Directors for Approval | Matters to be Reported to the Board of Directors |
|----------|--|--|--|
|          |  |  |  |
| <b>D</b> | <b>【Matters related to accounting】</b>   |  |  |
| D1       | Decision on closing of quarterly accounts and appropriation of retained earnings   | ○  |  |
| D2       | Quarterly reporting package for consolidation and other requirements relating to group consolidation (shall be applied only to TMHD's consolidated subsidiaries)   |  | ○  |
| D3       | Financial statements submitted to local authorities  |  | ○  |
| D4       | Debt financing from outside the Tokio Marine Group (Note 5)  | ○  |  |
| D5       | Repayment or redemption before the maturity of Subordinated Debts (treated as hybrid capital)  | ○  |  |
| D6       | Exception to framework of evaluation and review of loss reserve in TMHD actuarial policy for P&C loss reserve (other than requirements of the country's regulation/guidelines provided by the local authorities) | ○  |  |
| D7       | Guarantee of liabilities to third parties or any similar matters   | ○  |  |
| D8       | Change in accounting procedures which is considered to have material influence on closing of accounts  | ○  |  |
| D9       | Material tax issues  | ○  |  |
| D10      | Material change in accounting rules, laws and regulations and tax system (including administrative orders from regulatory  |  | ○  |
|          |  |  |  |
| <b>E</b> | <b>【Matters related to IT】</b>   |  |  |
| E1       | Decision on IT projects with total budget amount exceeding 100 million yen (Note 2)  | ○  |  |



| No.      | MANDATORY APPROVAL & REPORTING RULES FOR GROUP COMPANIES  | Written Resolutions of the Board of Directors for Approval | Matters to be Reported to the Board of Directors |
|----------|---|--|--|
|          |   |  |  |
| <b>F</b> | <b>【Matters related to external audit】</b>  |  |  |
| F1       | Appointment or dismissal of the external auditors (Resolution at Audit Committee instead of Board is acceptable.)   | ○  |  |
| F2       | External audit fees   | ○  |  |
| F3       | Non-audit services by external auditors (determined by TM Group Policy on Auditor's Independence as attached in the footnote. Resolution at Audit Committee is required before execute a contract)(Resolution at Audit Committee instead of Board is acceptable. In this case, the result of the resolution needs to be reported to Board) (Note 6) | ○  |  |
| F4       | External auditors' audit plan   | ○  |  |
| F5       | Audit report by external auditors (Reporting to Audit Committee instead of Board is acceptable.)  |  | ○  |
|          |   |  |  |
| <b>G</b> | <b>【Matters related to internal controls and other related local guidelines, where applicable】</b>  |  |  |
| G1       | Results of Control Self-Assessment Checklist  |  | ○  |
| G2       | Material issues related to internal controls (Reporting to Audit Committee instead of Board is acceptable.)<br>(Examples: Fraudulent acts, Breach of laws, Regulatory inspections, Information leakage/loss incidents, Emergency situations, Calls in whistle-blowing, Handling status of customers' comments, Results of annual CSA exercise etc.) |  | ○  |
|          |   |  |  |
| <b>H</b> | <b>【Matters related to internal audit】</b>  |  |  |



| No. | MANDATORY APPROVAL & REPORTING RULES FOR GROUP COMPANIES  | Written Resolutions of the Board of Directors for Approval | Matters to be Reported to the Board of Directors |
|-----|---|--|--|
| H1  | Establishment, abolition and significant change of internal audit charter   | ○  |  |
| H2  | Establishment and significant change of internal audit annual plan (Resolution at Audit Committee instead of Board is acceptable. In this case, the result of the resolution needs to be reported to Board) | ○  |  |
| H3  | Findings and recommendations of internal audit and improvement status (Reporting to Audit Committee instead of Board is acceptable.)  |  | ○  |
|     |   |  |  |
| I   | <b>【Others】</b>   |  |  |
| I1  | Political donation  | ○  |  |
| I2  | Matters stipulated by the Articles of incorporation / By-laws and local laws  | ○  | ○  |
| I3  | Other matters considered necessary by a member of the Board   | ○  | ○  |

Material threshold - The term "material" shall mean that the transaction or matter in relation to which such term is used is (a) considered to be likely to have an effect on the company's net income of greater than the amount decided by the company in its then-current fiscal year or any matter as to which a director of the company has communicated to the Chairman of the Board or Corporate Secretary its determination that such matter is material, regardless of the potential impact, or (b) a matter as to which TMHD and/or TMNF has communicated to the Chairman of the Board or Corporate Secretary its determination that such matter is material.

(note 1) Minutes of the Board Meeting should be prepared within 3 weeks (not more than 4) after the applicable Board Meeting. Matters resolved at Board Meeting is a consolidated summary of all specific matters duly resolved by the Board during the Board Meeting and such a consolidated summary will provide a clear and precise record of the decisions made by the Board during Board Meeting. The Minutes of Board Meeting and the specific Matters resolved at Board Meetings must be approved by an ensuing resolution of the Board (e.g. paper resolution) within 3 weeks (not more than 4 weeks).



(note 2) "Total budget amount" of "IT projects" includes total expenses, including expenses for acquisition/leasing of hardware or software required for such projects, and outsourcing expenses for development, maintenance, or operation of systems for such projects. Acquisition of IT equipment or conclusion of IT-related agreement, which is not a part of any "project", shall not be subject to this clause.

(note 3) "IT equipment" includes computers, computer-related equipment, data communication equipment, software, cell phones, car phones, pocket pagers, and satellite cell phones.

(note 4) "IT-related agreement" includes IT equipment lease agreements, development or maintenance agreements on IT systems, and network utilization agreements.

(note 5) Debt Finance is a financial transaction that may be classified in the financial debt in a rating evaluation and includes a transaction about commitment line. However, the financial transactions of which payment period is less than one year or due date is before the half-year period, and resignation payment debt are excluded as Debt. "Financing" includes credit facilities, commitment lines, bank overdraft, borrowings from non-Tokio Marine Group companies, issuance of bonds and debentures, Commercial Paper and etc.

(note 6) Type of services that in principle cannot be performed by external auditors.

| Type of services that, in principle, cannot be performed by external auditors |   |                                     |   |
|---|---|-------------------------------------|---|
| Examples :  |   |                                     |   |
| Accounting  | 1 | Translation of financial statements | Translation service of filed financial statements. The translated information can't be an underlying data for other financial statements.                                   |
| Tax Services  | 1 | Tax Compliance Services             | Advice based on a legal basis of relevant tax law, Tax Authority's official notice or established practice (*1), mainly advising on the tax treatment of past transactions. |



|   |                         |  |
|---|-------------------------|--|
|   |                         | <p>The following illustrates the nature of the services intended to be covered by this;</p> <ul style="list-style-type: none"> <li>• Preparing and/or reviewing tax returns and related filings for the many different forms of taxation or advising on these tax returns and related filings</li> <li>• Applying software that is limited in functionality to the preparation of tax returns and related tax filings for the many different forms of taxation</li> <li>• Performing tax technical analyses and related tax compliance calculations (*2)</li> <li>• Performing an analysis of prior year tax returns (*3)</li> </ul> <p>Please note that performing calculation of the income tax payables and the deferred tax assets / liabilities for the purpose of the accounting usage is not allowed.</p> |
| 2 | Tax Consulting Services | <p>Advise on tax planning or tax structuring for the future (or potential) transactions and/or preparation of related documents. The following illustrates the nature of the services intended to be covered by this;</p> <ul style="list-style-type: none"> <li>• Advising on how to structure the Company's affairs in a tax efficient manner in relation to a broad range of issues/topics</li> <li>• Reviewing and commenting on the tax aspects of human resources and other people management policies and procedures</li> </ul>   |



|   |                            |   |
|---|----------------------------|---|
|   |                            | <ul style="list-style-type: none"><li>● Preparing tax structuring documentation such as step plans, work plans to implement the Company's final restructuring plan, etc.</li><li>● Advising on the application of new or proposed/pending tax laws and regulations.</li><li>● Providing generic tax technical research resources, tax technical updates, tax technical publications and related information</li><li>● Preparing requests for tax rulings and tax technical advice from tax authorities.</li></ul> |
| 3 | Tax Audit Defense Services | Advice on the defense of a tax authority audit and tax examination  |
| 4 | Individual Tax Services    | The following Individual Tax Services (excluding payroll and withholding tax calculation) <ul style="list-style-type: none"><li>● Preparation of individual income tax returns</li><li>● Advice on impact of changes in local tax laws and consequences of changes in compensation programs and practices</li></ul>   |
| 5 | Tax Valuation Services     | Preparation of "tax-purpose only" valuations that will be used solely for the purpose of preparing or supporting tax returns and related filings. The underlying assumptions and calculation methodology for the valuation are defined in the tax laws or others. The valuation results are in-scope of the review by Tax authorities or equivalent authorities.  |



|                        |   |  |   |
|------------------------|---|--|---|
| Information Technology | 1 | Post-implementation assessments of Company's Information Systems | <p>The following assessments and provision of observations and advice(*4) .</p> <ul style="list-style-type: none"><li>● Assessment of the Company's implementation of an information system, changes to internal controls and processes in a post go-live environment, project governance and system development life cycle.</li><li>● Provision of observations and advice based on the above assessments.</li></ul>   |
| Corporate Finance      | 1 | Financial due diligence  | <p>Financial due diligence services, including review of financial statements, financial data and records, and discussion with target's finance and accounting personnel. Procedures may include a Quality of Earning analysis, a Debt-Like Items analysis, a Working Capital analysis, a Proof of Cash analysis reconciling revenues to cash receipts, and other financial statement analytics to understand the financial position and trends of the Company. (excluding the discussion of financial projection.)</p> |
| Legal                  | 1 | Immigration Support Service                                      | <p>Preparation and submission of forms related to immigration applications, or for such assistance and advice.</p>  |
|                        | 2 | Advice on compliance with laws and regulations                   | <p>Commentary on legal and regulatory requirements which apply (or may apply) to TMHD and Group Companies, gap analysis between assumed best practices in industry and the company's current business processes, and advice (*4) on how to respond to the gap.</p> <p>It is the TMHD and Group Companies' responsibility to identify and determine the laws and regulations applicable to the</p>   |



|        |   |                       |   |
|--------|---|-----------------------|---|
|        |   |                       | company's business and to ensure compliance with such laws and regulations.   |
| Survey | 1 | Benchmarking Services | Benchmarking Services regarding the industrial subjects or general subjects, not customer specific or customized subjects. This includes; <ul style="list-style-type: none"><li>• Surveys where companies pay a fixed fee to participate, submit their data and receive a report</li><li>• Private surveys where the TMHD and Group Companies' data are compared to external data</li></ul> |
|        | 2 | Survey and Analysis   | Case studies and analysis on industries' or competitors' practices as to specific subjects.   |

- \*1) This includes the general and overall advice on the application and required disclosures of tax filing matters, filing opinions, company eligibility requirements or others, and advice on the consideration for potential differences between tax laws and a company's tax filings
- \*2) Tax technical analyses and related tax compliance calculations is performed to help the Company prepare tax returns and related tax documentation. A non-exhaustive list of such tax analyses could include, but is not limited to, the following examples.
- Transaction Cost Analysis
  - Cost Segregation Analysis
  - Fixed Asset Depreciation Study and Calculating the fixed asset tax depreciation and gain/loss
  - Cost of Meals & Entertainment Analysis
  - Cost of Research & Development Study





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- Earnings & Profits Study
- Cost of Repairs and Maintenance Analysis

\*3) Performing an analysis of prior year tax returns to help the Company identify, quantify and document potential tax refund opportunities, including preparing tax refund claims and supporting documentation to be filed with tax authorities, and addressing questions raised by tax authorities in connection with such tax refund claims.

\*4) Advice has to be based on publicly known facts. TMHD and Group Companies should develop their own implementation plans and conduct accounting for such implementation.

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## APPENDIX III: BOARD EVALUATION & SUCCESSION

### 1. OVERVIEW & PURPOSE

- 1.1 Tokio Marine Life Insurance Malaysia Bhd's ("the Company") Appendix III: Board Evaluation and Succession ("this Appendix") sets out an outline of the steps and processes involved in the evaluation, appointment/re-appointment, and succession of the Company's Board of Directors ("the Board").
- 1.2 This Appendix aims to provide a structured and consistent approach in the evaluation and succession of the Board, to ensure the ongoing stability of the Board and its ability to run smoothly.
- 1.3 This Appendix should be read together with the relevant provisions contained in the Company's Board Charter.

### 2. SCOPE

- 2.1 This Appendix applies to all current and future members of the Board.
- 2.2 This Appendix covers the following areas:
  - 2.2.1 Minimum Requirements of the Board
  - 2.2.2 Annual Evaluation Process and Procedures
  - 2.2.3 Annual Assessment of Independent Directors
  - 2.2.4 Succession Planning
  - 2.2.5 Selection and Appointment of New Director
  - 2.2.6 Re-appointment of Director
  - 2.2.7 Administration

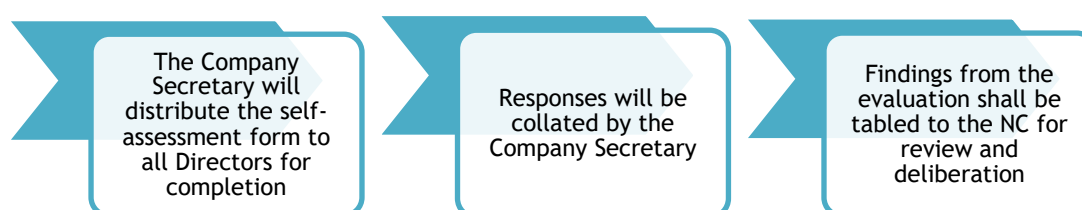
### 3. MINIMUM REQUIREMENTS OF THE BOARD

- 3.1 In order to ensure that the Board operates effectively and in the best interest of the Company and its stakeholders, it is important for members of the Board to meet certain minimum requirements ("Minimum Requirements") at the time of appointment and on a continuing basis. These Minimum Requirements are referring to the conditions set out from Paragraphs 5.1(b) to (d) as well as in Paragraph 5.5 (No. of Directorships) of the Company's Board Charter.
- 3.2 A Director must immediately disclose to the Board any circumstance that may affect his/her ability to meet the Minimum Requirements.
- 3.3 The Board must also develop and document the criteria and skill sets required of its members, both individually and collectively. The criteria and skill sets must reflect the fit and proper requirements and specific market or business knowledge required on the Board.
- 3.4 It is important for the criteria and skill sets to be regularly reviewed by the Board to ensure alignment with the Company's strategic direction and emerging challenges faced by the Company. This must also take into account any supervisory concerns highlighted by BNM that require specific expertise on the Board.



#### **4. ANNUAL EVALUATION PROCESS AND PROCEDURES**

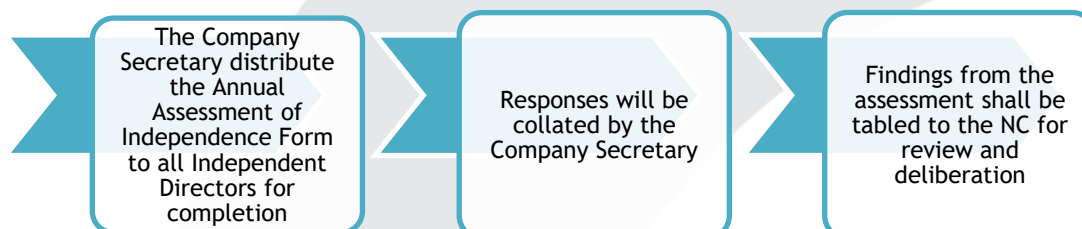
- 4.1 The Board approved Self-Assessment Form is a useful assessment tool to gauge the performance and effectiveness of the Board and Board Committees. On an annual basis, all Directors are required to complete the Self-Assessment Form as part of the Board's annual evaluation.
- 4.2 Findings/responses from the assessment will be collated and thereafter presented to the NC and the Board for deliberation.
- 4.3 The evaluation process and procedures practiced by the Company is as follows:



- 4.4 If the Board deems necessary, external consultants or experts may also be engaged to assist in and lend objectivity to the annual evaluation of the Board.

#### **5. ANNUAL INDEPENDENCE ASSESSMENT OF INDEPENDENT DIRECTORS**

- 5.1 On an annual basis, each Independent Director is required to perform a self-review on his/her independence by completing the Annual Assessment of Independence Form.
- 5.2 The NC is tasked to undertake an assessment to determine whether the Independent Director can continue to be independent in character and judgement and free from associations or circumstances that may impair the exercise of his/her independent judgment.
- 5.3 The annual independence assessment process and procedures practiced by the Company is as follows:





## **6. SUCCESSION PLANNING**

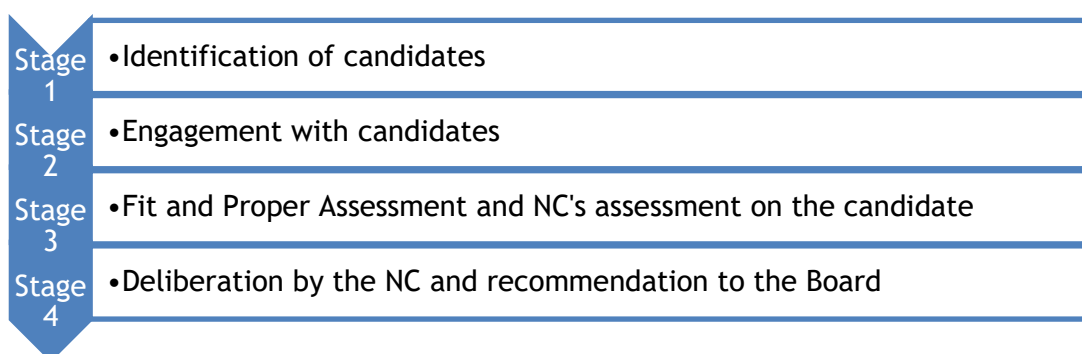
- 6.1 The Board's succession planning is an integral part of the Board's corporate governance practices as the Board believes that its membership and composition should be assessed from time to time.
- 6.2 The Company's Board Charter on the tenure of an Independent Director (which provides that an Independent Director's tenure should not exceed 9 years) facilitates succession planning by providing the Board with the opportunity to consider and reassess its membership periodically. The NC monitors the tenure of each Independent Director during the annual independence assessment.
- 6.3 The Board members may leave their positions for a variety of reasons:
- (a) For an Independent Director who will attain his/her 9 years of service in the Company, the process for replacing the said Independent Director will commence at least 1 year before the date he/she attains the maximum tenure of 9 years.
  - (b) If an Independent Director intends to resign from his/her position, he/she must deliver a written notice to the Company's registered office stating the reason for resignation at least 6 months' prior to his/her intended cessation date. The Independent Director's cessation date will be subject to BNM's approval. The process for replacing an Independent Director who intends to resign will commence immediately upon the Company's receipt of the said Independent Director's written notice of resignation.
  - (c) For an Executive Director who may retire or resign from the Board due to a job rotation or change of assignment, the Executive Director will notify the Board in advance and the regional office will recommend a suitable candidate from the Tokio Marine Group for the consideration of the NC and the Board.
  - (d) In the event of an emergency departure such as the demise of a Director or due to a Director's unexpected health issue, the Company will notify BNM upon becoming aware and immediately commence the process for replacement.
  - (e) In the event of a Director failing to meet the Minimum Requirements or the NC/Board becomes aware of any information that may materially compromise the Director's fitness and propriety, or any circumstance that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his/her responsibilities, the NC will call for a meeting to deliberate on the suitability of the Director to continue his/her office. The recommendation of the NC shall then be tabled to the Board for consideration. If it is resolved that his/her office be vacated, the Company will submit the Board's decision to BNM for approval and commence the process for replacement simultaneously.



- 6.4 As part of the Board's succession planning, the NC will review the composition of the Board (in terms of appropriate size and mix of skills) through its annual review and recommend the Board succession planning for the Board's consideration, if any.
- 6.5 In order to maintain diversity and inclusion in the Board's composition and decision-making process, the NC in making its recommendation for the appointment of a new Director will consider the following selection criteria after having given due regard to the overall needs, balance, efficiency and effectiveness of a diverse Board:
- skills, knowledge, competencies, experience and expertise;
  - professionalism, independence, integrity and the time commitment; and
  - diversity in terms of personal characteristics and individual background, such as ethnicity, gender, culture and age and education background.
- 6.6 In the course of identifying experienced, qualified, and fit-and-proper candidates, the NC and the Board leverages on the Directors' network, shareholders' recommendation, industry database, and independent sources amongst others to identify potential candidates for appointment to the Board.
- 6.7 Once a suitable candidate for an Independent Director position has been identified, the Company will endeavour where possible to secure the commencement of the candidate's service at least 6 months in advance prior to the end of the outgoing Director's tenure. For an Executive Director position, the incoming Executive Director should commence his tenure in the Board at least 3 months in advance where possible. This will allow sufficient time for the transfer of the necessary skills or knowledge from the outgoing Director to the incoming Director.

## **7. SELECTION AND APPOINTMENT OF NEW DIRECTOR**

- 7.1 The process for the nomination and appointment of a new Director is as follows:



7.2 Upon the identification of a suitable candidate, the NC will meet the candidate to evaluate whether the candidate is a good fit for the Company as well as the dynamic of the Board.

7.3 The due diligence process in accordance with the Fit & Proper Policy of the Company will be undertaken to ascertain whether the candidate is fit and proper to assume the role.

The assessment covers the following areas:

- (a) Probity, personal integrity and reputation;
- (b) Financial integrity; and
- (c) Competence and capability.

7.4 The NC will conduct the Fit and Proper assessment on the candidate and perform its assessment on the candidate, including:

- (a) a description of how the identified candidate is expected to address any gaps in the specific skills, knowledge or experience of the existing Board members; and
- (b) in the case of an identified candidate who lacks specific skills, knowledge or experience, a description of the gaps and steps that will be taken to support the identified candidate in addressing the gaps.

7.5 The NC will consider the selection criteria defined in 6.5 as well as the findings in 7.4 and make its recommendations for the Board's consideration and approval.

7.6 Upon the Board's approval, the application for appointment of new Director will be submitted to BNM by the Company Secretary.

7.7 There should not be any public announcement by the Company on the proposed appointment of the new Director until BNM's approval of the appointment has been obtained.



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- 7.8 Upon BNM's approval, the Board shall ensure that the new Director acknowledges the terms of his/her appointment, which must include:
- (a) the tenure of the Director's appointment;
  - (b) the roles and responsibilities of the Director, including those arising from his/her membership in any Board Committee; and
  - (c) provisions for the Director's removal in the event that he/she no longer meets the Minimum Requirements or has been assessed to be ineffective, errant or otherwise unsuited to carry out his/her responsibilities.
- 7.9 All newly appointed Directors are required to attend the in-house orientation and education programmes within 3 months from his/her date of appointment, and attend the Financial Institutions Directors' Education Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance within 1 year from his/her date of appointment.

## **8. RE-APPOINTMENT OF DIRECTOR**

- 8.1 The Company Secretary will engage the candidate and the NC Chairman to commence the assessment and re-appointment process.
- 8.2 For re-appointments, the assessment should include an evaluation of the Director's past performance. The evaluation process and procedures for a Director who is subject to renewal of his/her term shall be the same as detailed in paragraphs 7.3 - 7.6.
- 8.3 The application for re-appointment of a Director must be submitted to BNM at least 3 months prior to the expiry of the existing term approved by BNM.

## **9. ADMINISTRATION**

- 9.1 The Company Secretary will be responsible for the administration of this Appendix, including ensuring compliance to the processes and procedures as set out above and maintaining the proper records of the Directors, amongst others.
- 9.2 The documents relating to all assessments mentioned in this Appendix should be retained by the Company Secretary for a period of 7 years. The Company Secretary shall safeguard the confidentiality of all information collected and assessments made.

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## TERMS OF REFERENCE OF AUDIT COMMITTEE

### 1. PURPOSE

The Audit Committee (“AC”) is a Board Committee established by the Board of Directors to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company and oversees the performance and effectiveness of the internal audit function as well as the external auditors.

### 2. APPLICABLE GUIDELINES/REFERENCES

The requirements in this Terms of Reference are specified pursuant to:

- (i) BNM/RH/PD 029-9 Corporate Governance;
- (ii) BNM/RH/GL/013-1 Guidelines on Minimum Audit Standards for Internal Auditor of Financial Institution;
- (iii) BNM/RH/GL 018-4 External Auditor; and
- (iv) BNM/RH/PD 028-98 Risk Management in Technology.

### 3. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC are:

#### 3.1 Appointment of external auditors

- (a) To appoint external auditors, having particular regard to the external auditor’s objectivity, performance and independence.
- (b) To ensure that attestation is obtained from the external auditors and reasonable steps taken to verify the veracity of such attestations on the following qualifying requirement for appointment:
  - (i) is registered as an auditor of a public interest entity with the Audit Oversight Board;
  - (ii) not have been convicted of any offence under the Financial Services Act 2013, the Islamic Financial Services Act 2013 or the Companies Act 2016, or of any offence under any written law involving fraud and dishonesty;





- (iii) have adequate resources and necessary skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;
  - (iv) not have any relationships with, or interest in, the Company or any other entity that are likely to impair their objectivity or independence, and which cannot be reduced to an acceptable level through the application of appropriate safeguards;
  - (v) not have any records of disciplinary actions taken against him for unprofessional conduct by the Malaysian Institute of Accountants (“MIA”) and the decision for such disciplinary actions has not been reversed by the Disciplinary Appeal Board of MIA; and
  - (vi) not served as an engagement partner for a continuous period of more than 5 years with the same insurer. An auditor who has been rotated off the audit of the Company may resume the role as engagement partner only after a lapse of 5 years from the last audit engagement with the Company.
- (c) To review and assess the terms of audit engagement prior to confirming an engagement and the agreed terms documented in a clearly written audit engagement letter. For reappointment of an auditor, the existing terms of audit engagement shall be confirmed for each reporting period and appropriate modifications made as necessary to reflect any material changes in the Company which have a bearing on the audit arrangements.

The terms at the minimum should cover the following:

- (i) objective of audit;
- (ii) scope of audit engagement;
- (iii) agreement on audit plan;
- (iv) responsibilities of the engagement and concurring partners;
- (v) reports to be prepared by auditors;
- (vi) timing and that the audit fees commensurate with the scope of audit and accountability assumed by the auditors, taking into account, the required skills, knowledge and allocation of time and resources needed to complete the audit assignment;
- (vii) use of experts (e.g. actuary) in certain aspects of audit;
- (viii) the Company’s expectations of the engagement partner including explicit expectations that the engagement partner will effectively direct, supervise and perform the audit in compliance with professional standards and the audit firm’s internal quality control procedures throughout the audit engagement; ensure that the engagement team collectively has the appropriate capabilities, competence and time to devote to the audit of



- the Company and ensure that the auditor's report is reliable based on sufficient audit evidence and not misleading in any material respect;
- (ix) the Company's expectations of the concurring partner to form an objective assessment, based on an appropriate review of selected working papers of significant risks identified by the engagement team during the audit and the appropriateness of the team's responses to those risks; whether the audit evidence obtained is sufficient to support the significant judgements made and conclusions reached; whether differences of opinion with management or other contentious matters were appropriately dealt with and ensure that matters should be communicated to management and where applicable, the regulators;
  - (x) BNM's expectation of reliance on the auditor's report for its supervisory purposes; and
  - (xi) other significant arrangements in relation to the audit, including responsibilities of the auditor with regards to any change to members of the engagement team during the audit.
- (d) To ensure that concurring partner who is responsible for objective evaluation is identified for each audit and such partner is suitably qualified and commits the necessary time to carry out the required review of audit documentation to support his assessment.
- (e) To review and assess various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditor's judgment or independence in respect of the Company. This may include affiliations resulting from the Company's employment of former employees of the external auditor in senior positions within the Company.
- (f) To review and assess fees paid to the external auditor, considering:
- (i) the economic importance of the Company (in terms of total fees paid) to the external auditor;
  - (ii) the review and approval of non-audit services (NAS) provided by the external auditor or its affiliates as delegated by the Board to comply with the International Code of Ethics for Professional Accountants (IESBA Code);
  - (iii) whether an effective, comprehensive and complete audit could be reasonably conducted for the audit fee paid; and
  - (iv) the fees paid should not impair or appear to impair the external auditor's judgement or independence in respect to the insurer.



- (g) Investigate reasons for any request made by management to dismiss the external auditors, or any resignation by the external auditor. The results of the investigation should be disclosed to the full Board together with the AC's recommendations on proposed actions to be taken. The decisions of the Board in relation to the recommendations made by the AC should be documented in the Board minutes, with a copy of the minutes extended to BNM, within 2 weeks of the Board's decision.
- (h) To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditors to report to the AC on significant matters.

### **3.2 Provision of Non-Audit Services by External Auditors**

- (a) To monitor and assess the independence of the external auditors including approving any provision of non-audit services by the Company's external auditors before the commencement of the service, or whenever there is a significant change in the level of service provided.
- (b) The decision of AC with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining auditor independence (together with supporting reasons).

### **3.3 Audit plan, findings and recommendations by External Auditors**

- (a) The AC should review with the external auditors:
  - (i) the audit plan prior to the commencement of the annual audit and recommends to the Board for approval;
  - (ii) the audit scope and plan to address areas identified by the Board that present significant financial reporting risk to the Company and arising from changes in the Company during the reporting period that could contribute to an increased risk inherent in the Company's internal controls over financial reporting, the accuracy of its recording of transactions and ability to comply with reporting standards;
  - (iii) the financial statements (before the audited financial statements are presented to the Board), including:-



- whether the auditor's report contained any qualifications which must be properly discussed and acted upon to remove the cause the auditors' concerns;
  - significant changes and adjustments in the presentation of financial statements;
  - major changes in accounting policies and principles;
  - alternative accounting treatments discussed with management and the ramifications of the alternatives;
  - compliance with relevant laws and accounting standards;
  - material fluctuations in the statements;
  - significant variations in the audit scope;
  - significant commitments or contingent liabilities; and
  - the validity of going concern assumptions.
- (iv) the audit reports, including obligatory reports to the BNM on matters covered under Section 69 (1) of Financial Services Act 2013;
- (v) any significant disagreements between the external auditors and management irrespective of whether they have been resolved; and
- (vi) any other findings, issues or reservations faced by the external auditors arising from interim and financial audits.
- (b) The AC should review and monitor management's responsiveness to, and action taken on, external audit findings and recommendations in the management letter, and ensure that all findings and recommendations are resolved effectively and in a timely manner.
- (c) The AC should meet at least annually with the external auditor without the presence of management to allow external auditors to effectively express concerns, problems and reservations arising from the financial audits.

### **3.4 Governance of Internal Audit function**

- (a) The AC should:-
- (i) ensure that internal audit department is distinct and has appropriate status and the necessary authority within the overall organizational structure for the internal auditors to effectively accomplish their audit objectives;



- (ii) ensure the effective organization of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;
  - (iii) review and approve the audit plan, frequency, internal audit charter and budget. Any significant change of Internal Audit Charter will be recommended by the AC to the Board for approval;
  - (iv) ensure that reporting relationships of the internal audit staff do not impeded the exercise of the independent judgement by the internal auditors. In particular, internal audit reports should not be subject to the clearance of the Chief Executive Officer or any Executive Director;
  - (v) ensure that the internal audit function is independent of activities it audits and that the internal audit function reports directly to the AC; and
  - (vi) establish an appropriate mechanism to assess the performance and effectiveness of the internal audit function including technology audit.
- (b) The AC should also review the internal audit programme, scope of internal audit procedures and processes, in particular:
- (i) any restrictions placed on access by the internal auditors to any of the Company's records, assets, personnel or processes which are relevant to the conduct of audits;
  - (ii) appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits, having regard to the nature, size and complexity of the Company's operations;
  - (iii) compliance with internal auditing standards; and
  - (iv) coordination between internal and external auditors.
- (c) AC members should ensure that they are adequately informed of, and understand the risks and implications of internal audit findings and recommendations. The AC should pay particular attention to internal audit assessments of:
- (i) compliance with Company's policies, relevant laws and regulatory requirements;
  - (ii) effectiveness of internal controls in critical areas of operations (e.g. accounting, underwriting, claims, investment, derivatives and information technology management); and
  - (iii) management's responsiveness to and corrective actions taken in respect of, internal audit findings and recommendations.
- (d) The AC should review key audit reports and ensure that the management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by internal audit and other control functions. The AC



should take note of any significant disagreement between the internal auditor and management irrespective of whether they have been resolved in order to identify any impact this may have on the audit process or findings.

### **3.5 Internal Audit Resources and Staffing**

- (a) The AC should ensure on an ongoing basis that the internal audit function has adequate and competent resources to perform audits including technology audits, given the size and complexity of the Company's operations. In this respect, the AC should:-
- (i) review and recommend for the Board's approval, the appointment, remuneration, performance evaluation, transfer, removal and redeployment of the Head of Internal Audit and senior officers of the internal audit function;
  - (ii) be informed of any resignation of the internal audit staff and reasons therefore, and provide resigning staff with an opportunity to submit reasons for their resignations; and
  - (iii) ensure that the compensation scheme of the internal audit function is consistent with the objectives and demands of internal audit function.
  - (iv) ensure that the Internal audit staff receives necessary training to perform audit work through a programme of continuing education and training to enable them to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support internal audit function.

### **3.6 Other Responsibilities**

- (a) The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and External Auditors in order to be kept informed of matters affecting the Company.
- (b) In addition, the AC should also:-
- (i) 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;
    - the corporate governance disclosures made in the director's report pursuant to the requirement in BNM/RH/PD 029-9 Corporate Governance and be satisfied that any departure from such requirements and the circumstances justifying such departure are sufficiently explained; and



- all representation letters signed by the Management, and be satisfied that the information provided is complete and appropriate.
- (ii) review and update the Board on all related-party transactions and conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of directors and management integrity;
- (iii) ensure that the Company complies with the requirement of publishing the accounts as specified by the BNM;
- (iv) ensure that the Company's accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made;
- (v) ensure that supervisory issues raised by BNM are resolved in a timely manner;
- (vi) be responsible for any other functions as may be determined by the Board and reflected in its terms of reference;
- (vii) review third-party opinions on the design and effectiveness of the Company's internal control framework;
- (viii) monitor compliance with the Board's Conflicts of Interest Policy;
- (ix) To ensure effective exchange of information with the Risk Management and Compliance Committee so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the Company's risk appetite and business plans.

## 4. AUTHORITY

- (a) The AC should have the authority to investigate any matter within its terms of reference and should have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.
- (b) The AC should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management or internal audit department. Fraud and irregularities discovered by Management should be referred to the internal audit department for investigation.
- (c) The AC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.



- (d) The AC shall have adequate resources to perform its duties and discharge its responsibilities and should be authorized to obtain independent professional advice as considered necessary.

## 5. SIZE AND COMPOSITION

### 5.1 Appointment

- (a) Board of Directors shall appoint the directors who have the skills, knowledge and experience relevant to the responsibilities of the AC to sit in the AC.
- (b) Members should have sound judgment, objectivity, independent attitude, management experience, adequate knowledge of the industry, committed to the task, keen perception on internal control environment and able to make probing inquiries.
- (c) Ideally, all AC members should be able to understand the financial reporting process and be financially literate. At a minimum, at least 1 member of the AC should be familiar with accounting, auditing practices, financial reporting requirements and preferably a member of a recognized professional accounting body.
- (d) All AC members, either individually or collectively, are also expected to be familiar with the scope of internal insurance audits, including risk management, underwriting, investment and claims management.
- (e) No AC members should be employed in an executive position in the insurer or its related corporations, or have a relationship which in the opinion of the Board will interfere with exercise of independent judgment in carrying out the functions of AC. Members of AC should not be directly responsible for, or any part of any committee involved in, the management functions of the insurer.

### 5.2 Composition

- (a) The AC shall comprise a minimum of three (3) Non-Executive Directors, of which the majority shall be Independent Directors. The AC must not have any Executive Director in its membership.
- (b) The composition of the AC and any changes thereof must be approved by the Board after taking into consideration the recommendations of the Nominating Committee.





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- (c) If for any reason the number of AC members is reduced to below the minimum three (3), notification should be provided to Bank Negara Malaysia (“BNM”) within two (2) weeks and the Board should fill the vacancy within three (3) months. Failing which, the Company should notify BNM on the shortfall and request for extension of time to fill the vacancy.

### 5.3 Chairman

The Chairman of the AC shall be an Independent Director and the Chairman of the Board must not chair the AC.

### 5.4 Secretary

The Company Secretary shall act as Secretary to the AC.

## 6. MEETINGS

### 6.1 Frequency and Mode of Meeting

- (a) The AC should meet at least once every quarter. Meeting may be held in a physical, virtual or hybrid format.
- (b) The Chairman of the AC may at any time, and the Company Secretary shall on the requisition of the AC Chairman, summon a AC meeting.
- (c) The AC meetings shall be scheduled in advance at the end of the prior calendar year to enable the AC members to plan their schedules accordingly.

### 6.2 Notice and Meeting papers

The agenda together with the meeting papers shall be circulated to the AC members at least seven (7) days prior to each AC meeting to accord sufficient time for the AC members to review and consider issues to be discussed and such period may be shortened or dispensed with provided the AC Chairman so agree.

### 6.3 Quorum

- (a) The quorum of the AC meeting should be at least 2/3 of the AC members with Independent Directors forming majority.
- (b) Directors sitting in AC are not allowed to appoint alternate directors to represent them in AC meeting.

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#### **6.4 Chairman of the Meeting**

Where the AC Chairman is unable to attend a meeting, the members present at the meeting shall elect a person among themselves who is an Independent Directors, as Chairman.

#### **6.5 Voting**

- (a) Every AC member shall have a right to speak and vote on any matter tabled at the Meeting.
- (b) Recommendations of AC shall be made by way of consensus. For avoidance of doubt, consensus means general agreement of all members present at the AC meeting.
- (c) In the event that a consensus in respect of any issues cannot be achieved, the decision of the Chairman shall be final. The Chairman must however report to the Board of Directors that a consensus could not be reached by the AC members.
- (d) Member of the AC who has a direct or deemed interest in the subject matter presented at the AC meeting shall abstain from participating in a discussion and decisions in matters involving him.
- (e) The AC may invite the Chief Executive Officer or any person to be in attendance to assist in its deliberation. Other invitees, if any, shall be on a need basis and for specific issues only with the AC Chairman's approval. Invitees shall not have any voting rights.

#### **6.6 Minutes of the AC Meetings**

Minutes of the AC meeting shall be recorded by the Company Secretary or any persons so appointed by the AC and finalised within 3 weeks from the date of AC meeting.

#### **6.7 Circular resolution**

A resolution in writing signed or assented by all AC members for the time being, shall be as valid and effectual as if it had been passed at a meeting of the AC. Any such resolution may consist of several documents in the like form, each signed or assented to by one or more AC members, transmitted by the members of the AC via facsimile transmission or email or other similar means of communication to the Company Secretary.



## 7. DEFINITIONS

|                             |   |
|-----------------------------|---|
| <b>Affiliate</b>            | In relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the Company.  |
| <b>Executive director</b>   | Person who has management responsibilities in the Company or any of its affiliates (whether or not he is an officer of the Company or any of its affiliates).   |
| <b>Independent director</b> | <p>An independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him-</p> <ul style="list-style-type: none"><li>(a) has been an executive in the last 2 years;</li><li>(b) is a substantial shareholder of the Company or any of its affiliates; or</li><li>(c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last 2 years.</li></ul> <p>A person is “linked” to another person where -</p> <ul style="list-style-type: none"><li>(i) one person is accustomed to represent, or take instructions from, the other person;</li><li>(ii) they are relatives; or</li><li>(iii) one person is an entity, and the other person is a partner, shareholder, director or officer of that entity or its affiliate;</li></ul> <p><u>Financial Services Act 2013:</u></p> <p>“relative” in relation to an individual means:-</p> <ul style="list-style-type: none"><li>(a) the spouse of the individual;</li><li>(b) the brother or sister of the individual, or of the spouse of the individual;</li><li>(c) any lineal ascendant or descendant of the individual, or of the spouse of the individual;</li><li>(d) the spouse of any individual referred to in paragraph (b) or (c);</li><li>(e) any lineal descendant of an individual referred to in paragraph (b) or (d);</li><li>(f) any uncle, aunt or cousin of the individual, or of the spouse of the individual; or</li><li>(g) any spouse, or any lineal ascendant or descendant, of an individual referred to in paragraph (f).</li></ul> |



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## TERMS OF REFERENCE OF RISK MANAGEMENT & COMPLIANCE COMMITTEE

### 1. PURPOSE

The Risk Management & Compliance Committee (“**RMCC**”) is a Board Committee established by the Board of Directors to support the Board in meeting the Bank Negara Malaysia’s expectations on risk management and compliance and to oversee the Company’s risk and compliance management framework and policies.

### 2. APPLICABLE GUIDELINES/REFERENCES

The requirements in this Terms of Reference are specified pursuant to:

- (a) BNM/RH/PD 029-9 Corporate Governance;
- (b) BNM/RH/GL 013-5 Risk Governance;
- (c) BNM/RH/PD 028-15 Operational Risk;
- (d) BNM/RH/PD 028-9 Compliance;
- (e) BNM Policy Document on Operational Risk Integrated Online Network (ORION); and
- (f) BNM/RH/PD 028-98 Risk Management in Technology.

### 3. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the RMCC are:

- (a) To review and recommend to the Board the risk management strategies, policies, risk appetite and risk tolerance levels including the technology risk appetite.
- (b) To review and assess the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling the risks including climate related risks and the extent of these risks are managed effectively.
- (c) To review and oversee the adequacy of the 3-year IT and cybersecurity strategic plans. These plans shall be periodically reviewed, at least once every three (3) years.

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- (d) To review and recommend to the Board the technology-related frameworks including technology risk management framework (TRMF) and cyber resilience framework (CRF), and ensure the risk assessments undertaken in relation to material technology projects are robust and comprehensive.
- (e) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities and ensure that these are within the risk appetite set by the Board. This includes monitoring the Company's technology risk against its approved technology risk appetite.
- (f) To review and evaluate the adequacy and the effectiveness of the overall management of compliance risk on yearly basis.
- (g) To review the management of any compliance and risk management incidents reported to and managed by the Management as well as to provide oversight on compliance reporting requirements.
- (h) To provide input to Remuneration Committee on the remuneration framework to ensure that risk exposures and risk outcomes are adequately considered.

In this regard, to assist the implementation of a sound remuneration system and examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee.

- (i) To review and recommend the appointment, remuneration and dismissal of the Chief Risk Officer and Chief Compliance Officer or their equivalent to the Board for approval. In the event of the resignation of these positions, an exit interview shall be held to understand the reasons and circumstances leading to the resignation.
- (j) To review the performance of the Chief Risk Officer and Chief Compliance Officer or their equivalent.
- (k) To ensure that adequate infrastructure, resources and systems are in place for effective Compliance management and Risk Management. This includes ensuring that the staffs responsible for managing Compliance and Risk Management are duly empowered to perform their responsibilities independently.
- (l) To ensure effective exchange of information with the Audit Committee so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the Company's risk appetite and business plan.



- (m) To review and recommend the policies and framework for compliance with applicable laws, regulations, rules, directives and guidelines to the Board for approval.

The Chairman of RMCC shall be the designated director responsible for the effective implementation of the Company's Whistleblowing Policy. This includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic reviews of the effectiveness of the Whistleblowing Policy.

## 4. AUTHORITY

- (a) The RMCC is authorised by the Board to deal with any matters within its terms of reference and dealt with such other matters as the Board may from time to time determine.
- (b) The RMCC shall not be delegated with decision-making powers but should report its recommendations to the Board for decision.
- (c) The RMCC shall have full and unrestricted access to any information pertaining to matters within its terms of reference. All employees are required to respond to any requests by the RMCC and to assist the same in any matter it may handle or investigate. The RMCC should be provided with sufficient support and resources required to investigate matter within its mandate and should be authorised to seek independent third party advice or information on risk implications as considered necessary.

## 5. SIZE AND COMPOSITION

### 5.1 Appointment

- (a) Board of Directors shall appoint the directors who have the skills, knowledge and experience relevant to the responsibilities of the RMCC to sit in the RMCC.
- (b) Terms of appointment may be reviewed from time to time as the Board of Directors deems fit.

### 5.2 Composition

- (a) The RMCC shall comprise a minimum of three (3) Non-Executive Directors, of which the majority shall be Independent Directors. The RMCC must not have any Executive Director in its membership.



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- (b) The composition of the RMCC and any changes thereof must be approved by the Board after taking into consideration the recommendations of the Nominating Committee.
- (c) If for any reason the number of RMCC members is reduced to below the minimum three (3), notification should be provided to Bank Negara Malaysia (“BNM”) within two (2) weeks and the Board should fill the vacancy within three (3) months. Failing which, the Company should notify BNM on the shortfall and request for extension of time to fill the vacancy.

### 5.3 Chairman

The Chairman of the RMCC shall be an Independent Director and the Chairman of the Board must not chair the RMCC.

### 5.4 Secretary

The Company Secretary shall act as Secretary to the RMCC.

## 6. MEETINGS

### 6.1 Frequency and Mode of Meeting

- (a) The RMCC should meet at least once every quarter. Meeting may be held in a physical, virtual or hybrid format.
- (b) The Chairman of the RMCC may at any time, and the Company Secretary shall on the requisition of the RMCC Chairman, summon a RMCC meeting.
- (c) The RMCC meetings shall be scheduled in advance at the end of the prior calendar year to enable the RMCC members to plan their schedules accordingly.

### 6.2 Notice and Meeting papers

The agenda together with the meeting papers shall be circulated to the RMCC members at least seven (7) days prior to each RMCC meeting to accord sufficient time for the RMCC members to review and consider issues to be discussed and such period may be shortened or dispensed with provided the RMCC Chairman so agree.

### 6.3 Quorum

- (a) The quorum of the RMCC meeting should be at least 2/3 of the RMCC members with Independent Directors forming majority.

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- (b) Directors sitting in RMCC are not allowed to appoint alternate directors to represent them in RMCC meeting.

#### **6.4 Chairman of the Meeting**

Where the RMCC Chairman is unable to attend a meeting, the members present at the meeting shall elect a person among themselves who is an Independent Directors, as Chairman.

#### **6.5 Voting**

- (a) Every RMCC member shall have a right to speak and vote on any matter tabled at the Meeting.
- (b) Recommendations of RMCC shall be made by way of consensus. For avoidance of doubt, consensus means general agreement of all members present at the RMCC meeting.
- (c) In the event that a consensus in respect of any issues cannot be achieved, the decision of the Chairman shall be final. The Chairman must however report to the Board of Directors that a consensus could not be reached by the RMCC members.
- (d) Member of the RMCC who has a direct or deemed interest in the subject matter presented at the RMCC meeting shall abstain from participating in a discussion and decisions in matters involving him.
- (e) The RMCC may invite the Chief Executive Officer or any person to be in attendance to assist in its deliberation. Other invitees, if any, shall be on a need basis and for specific issues only with the RMCC Chairman's approval. Invitees shall not have any voting rights.

#### **6.6 Minutes of the RMCC Meetings**

Minutes of the RMCC meeting shall be recorded by the Company Secretary or any persons so appointed by the RMCC and finalised within 3 weeks from the date of RMCC meeting.

#### **6.7 Circular resolution**

A resolution in writing signed or assented by all RMCC members for the time being, shall be as valid and effectual as if it had been passed at a meeting of the RMCC. Any such resolution may consist of several documents in the like form, each signed or assented to by one or more RMCC members, transmitted by the members of the RMCC via facsimile transmission or email or other similar means of communication to the Company Secretary.





## 7. DEFINITIONS

|   |   |
|---|---|
| <b>Affiliate</b>                        | In relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the entity.   |
| <b>cyber resilience framework (CRF)</b> | A framework for ensuring the Company's cyber resilience.  |
| <b>Executive director</b>               | Person who has management responsibilities in the Company or any of its affiliates (whether or not he is an officer of the Company or any of its affiliates).   |
| <b>Independent director</b>             | <p>An independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him-</p> <ul style="list-style-type: none"><li>(a) has been an executive in the last 2 years;</li><li>(b) is a substantial shareholder of the Company or any of its affiliates; or</li><li>(c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last 2 years.</li></ul> <p>A person is "linked" to another person where -</p> <ul style="list-style-type: none"><li>(i) one person is accustomed to represent, or take instructions from, the other person;</li><li>(ii) they are relatives; or</li><li>(iii) one person is an entity, and the other person is a partner, shareholder, director or officer of that entity or its affiliate;</li></ul> <p><u>Financial Services Act 2013:</u></p> <p>"relative" in relation to an individual means:-</p> <ul style="list-style-type: none"><li>(a) the spouse of the individual;</li><li>(b) the brother or sister of the individual, or of the spouse of the individual;</li><li>(c) any lineal ascendant or descendant of the individual, or of the spouse of the individual;</li><li>(d) the spouse of any individual referred to in paragraph (b) or (c);</li></ul> |



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|  | <p>(e) any lineal descendant of an individual referred to in paragraph (b) or (d);</p> <p>(f) any uncle, aunt or cousin of the individual, or of the spouse of the individual; or</p> <p>(g) any spouse, or any lineal ascendant or descendant, of an individual referred to in paragraph (f).</p>            |
| <b>IT and cybersecurity strategic plan</b>         | These plans shall address the Company's requirements on infrastructure, control measures to mitigate IT and cyber risk and financial and non-financial resources, which are commensurate with the complexity of the Company's operations and changes in the risk profile as well as the business environment. |
| <b>material technology projects</b>                | Refers to projects which involve critical systems, the delivery of essential services to customers or counterparties, or compliance with regulatory requirements.   |
| <b>technology risk management framework (TRMF)</b> | A framework to safeguard the Company's information infrastructure, systems and data.  |

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## TERMS OF REFERENCE OF NOMINATING COMMITTEE

### 1. PURPOSE

The Nomination Committee (“NC”) is a Board Committee established by the Board of Directors pursuant to the requirements of BNM/RH/PD 029-9 Corporate Governance to support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary:-

- (a) appointments and removals;
- (b) composition;
- (c) performance evaluation and development; and
- (d) fit and proper assessments.

### 2. APPLICABLE GUIDELINES/REFERENCES

The requirements in this Terms of Reference are specified pursuant to BNM/RH/PD 029-9 Corporate Governance and Fit and Proper Policy of the Company.

### 3. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the NC are:

- (a) To establish a mechanism for formal assessment and carry out annual evaluation to assess the performance and effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board’s various committees, and the performance of the Chief Executive Officer (“CEO”).
- (b) To establish minimum requirements for the Board and CEO to perform their responsibilities effectively. In this regard, the NC should consider the following in making its recommendation on candidates for appointment or re-appointment:-
  - (i) skill, knowledge, competencies, expertise and experience;
  - (ii) professionalism;
  - (iii) integrity;
  - (iv) time, commitment, contribution and performance; and
  - (v) in the case of candidate for the position of Independent Non-Executive Directors, the NC should also evaluate the candidates’ ability to discharge such responsibilities/ functions as expected from Independent Non-Executive Directors.

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- (c) Overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors and other core competencies required.
- (d) To recommend and assess the nominees for directorship, nominees for Board Committees membership as well as nominees for CEO or senior management or Company Secretary. This includes assessing the Directors and CEO or senior management or Company Secretary proposed for re-appointment/re-election, where applicable, before an application is submitted to Bank Negara Malaysia (“BNM”). The NC will be the main contact point of the Company with BNM for the application process.
- (e) To recommend to the Board the removal of a Director or CEO or Company Secretary if he/she is ineffective, errant or negligent in discharging his/her responsibilities.
- (f) To develop and review the criteria to assess the independence of its Independent Directors and undertake assessment to determine whether the Independent Director can continue to be independent in character and judgement and free from associations or circumstances that may impair the exercise of his independent judgment.
- (g) To ensure directors, CEO, senior management and Company Secretary are assessed under the Fit and Proper requirements at time of appointment, on an annual basis or as and when circumstance changed that may affect the ability to meet the minimum requirements.
- (h) To assist the Board in the regular review of succession plans for the Board/Board committees.
- (i) To review the list of key responsible persons of the Company to ensure that the list is comprehensive and has taken into account all key positions within the Company.
- (j) To ensure that all directors undergo appropriate induction programs and regularly review the training needs for Directors to ensure the Directors received continuous training.
- (k) To review the appointment of the senior management as well as their annual performance evaluation and to recommend to the Board the removal of the senior management if they are ineffective, errant and negligent in discharging their responsibilities.



## 4. AUTHORITY

- (a) The NC is authorised by the Board to deal with any matters within its terms of reference and dealt with such other matters as the Board may from time to time determine.
- (b) The NC shall not be delegated with decision-making powers but should report its recommendations to the Board for decision.
- (c) The NC shall have full and unrestricted access to any information pertaining to matters within its terms of reference. All employees are required to respond to any requests by the NC and to assist the same in any matter it may handle or investigate. The NC should be provided with sufficient support and resources required to investigate matter within its mandate and should be authorised to seek independent third party advice as considered necessary.

## 5. SIZE AND COMPOSITION

### 5.1 Appointment

- (a) Board of Directors shall appoint at least three (3) directors from the Board to sit in NC, who have the skills, knowledge and experience relevant to the responsibilities of the NC.
- (b) Terms of appointment may be reviewed from time to time as the Board of Directors deems fit.

### 5.2 Composition

- (a) The NC shall comprise a minimum of three (3) Directors, of which the majority shall be Independent Directors.
- (b) The composition of the NC and any changes thereof must be approved by the Board after taking into consideration the recommendations of the NC.
- (c) If for any reason the number of NC members is reduced to below the minimum three (3), notification should be provided to BNM within two (2) weeks and the Board should fill the vacancy within three (3) months. Failing which, the Company should notify BNM on the shortfall and request for extension of time to fill the vacancy.



### 5.3 Chairman

The Chairman of the NC shall be an Independent Director and the Chairman of the Board must not chair the NC.

### 5.4 Secretary

The Company Secretary shall act as Secretary to the NC.

## 6. MEETINGS

### 6.1 Frequency and Mode of Meeting

- (a) The NC should meet at a minimum twice a year. Meeting may be held in a physical, virtual or hybrid format.
- (b) The Chairman of the NC may at any time, and the Company Secretary shall on the requisition of the NC Chairman, summon a NC meeting.
- (c) The NC meetings shall be scheduled in advance at the end of the prior calendar year to enable the NC members to plan their schedules accordingly.

### 6.2 Notice and Meeting papers

The agenda together with the meeting papers shall be circulated to the NC members at least seven (7) days prior to each NC meeting to accord sufficient time for the NC members to review and consider issues to be discussed and such period may be shortened or dispensed with provided the NC Chairman so agree.

### 6.3 Quorum

- (a) The quorum of the NC meeting should be at least 2/3 of the NC members with Independent Directors forming majority.
- (b) Directors sitting in NC are not allowed to appoint alternate directors to represent them in NC meeting.

### 6.4 Chairman of the Meeting

Where the NC Chairman is unable to attend a meeting, the members present at the meeting shall elect a person among themselves who is an Independent Directors, as Chairman.



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## 6.5 Voting

- (a) Every NC member shall have a right to speak and vote on any matter tabled at the Meeting.
- (b) Recommendations of NC shall be made by way of consensus. For avoidance of doubt, consensus means general agreement of all members present at the NC meeting.
- (c) In the event that a consensus in respect of any issues cannot be achieved, the decision of the Chairman shall be final. The Chairman must however report to the Board of Directors that a consensus could not be reached by the NC members.
- (d) Member of the NC who has a direct or deemed interest in the subject matter presented at the NC meeting shall abstain from participating in a discussion and decisions in matters involving him.
- (e) The NC may invite the Chief Executive Officer or any person to be in attendance to assist in its deliberation. Other Invitees, if any, shall be on a need basis and for specific issues only with the NC Chairman's approval. Invitees shall not have any voting rights.

## 6.6 Minutes of the NC Meetings

Minutes of the NC meeting shall be recorded by the Company Secretary or any persons so appointed by the NC and finalised within 3 weeks from the date of NC meeting.

## 6.7 Circular resolution

A resolution in writing signed or assented by all NC members for the time being, shall be as valid and effectual as if it had been passed at a meeting of the NC. Any such resolution may consist of several documents in the like form, each signed or assented to by one or more NC members, transmitted by the members of the NC via facsimile transmission or email or other similar means of communication to the Company Secretary.

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## 7. DEFINITIONS

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| <b>Affiliate</b>            | In relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the Company.   |
| <b>Executive director</b>   | Person who has management responsibilities in the Company or any of its affiliates (whether or not he is an officer of the Company or any of its affiliates).  |
| <b>Independent director</b> | <p>An independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him-</p> <p>(a) has been an executive in the last 2 years;<br/>(b) is a substantial shareholder of the Company or any of its affiliates; or<br/>(c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last 2 years.</p> <p>A person is “linked” to another person where -</p> <p>(i) one person is accustomed to represent, or take instructions from, the other person;<br/>(ii) they are relatives; or<br/>(iii) one person is an entity, and the other person is a partner, shareholder, director or officer of that entity or its affiliate;</p> <p><u>Financial Services Act 2013:</u></p> <p>“relative” in relation to an individual means:-</p> <p>(a) the spouse of the individual;<br/>(b) the brother or sister of the individual, or of the spouse of the individual;<br/>(c) any lineal ascendant or descendant of the individual, or of the spouse of the individual;<br/>(d) the spouse of any individual referred to in paragraph (b) or (c);<br/>(e) any lineal descendant of an individual referred to in paragraph (b) or (d);<br/>(f) any uncle, aunt or cousin of the individual, or of the spouse of the individual; or</p> |





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|                                | (g) any spouse, or any lineal ascendant or descendant, of an individual referred to in paragraph (f). |
| <b>key responsible persons</b> | As defined in the Company's Fit & Proper Policy.  |
| <b>senior management</b>       | Senior officers determined by the Chief Executive Officer from time to time.                          |

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## TERMS OF REFERENCE OF REMUNERATION COMMITTEE

### 1. PURPOSE

The Remuneration Committee (“RC”) is a Board Committee established by the Board of Directors to support the Board in actively overseeing the design and operation of the Company’s remuneration system as set out in the BNM/RH/PD 029-9 Corporate Governance and to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board and senior management to achieve effective governance of remuneration systems.

### 2. APPLICABLE GUIDELINES/REFERENCES

The requirements in this Terms of Reference are specified pursuant to BNM/RH/PD 029-9 Corporate Governance.

### 3. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the RC are:

- (a) To recommend and periodically review the remuneration of Directors on the Board, particularly on whether the remuneration remains appropriate to each Director’s contribution, taking into account the level of expertise, experience, commitment and responsibilities undertaken.
- (b) To recommend and periodically review the remuneration framework of the Company, where the overall framework should:
  - (i) be approved by the Board, and be subject to periodic board review, including when material changes are made to the remuneration framework;
  - (ii) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
  - (iii) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of customers;
  - (iv) be designed and implemented with input from the control functions and the Risk Management and Compliance Committee (“RMCC”) to ensure that risk exposures and risk outcomes are adequately considered; and
- (c) To review the remuneration of each member of senior management and other material risk taker annually.



## 4. AUTHORITY

- (a) The RC is authorised by the Board to deal with any matters within its terms of reference and dealt with such other matters as the Board may from time to time determine.
- (b) The RC shall not be delegated with decision-making powers but should report its recommendations to the Board for decision.
- (c) The RC shall have full and unrestricted access to any information pertaining to matters within its terms of reference. All employees are required to respond to any requests by the RC and to assist the same in any matter it may handle or investigate. The RC should be provided with sufficient support and resources required to investigate matter within its mandate and should be authorised to seek independent third party advice as considered necessary.

## 5. SIZE AND COMPOSITION

### 5.1 Appointment

- (a) Board of Directors shall appoint the directors who have the skills, knowledge and experience relevant to the responsibilities of the RC to sit in the RC.
- (b) Terms of appointment may be reviewed from time to time as the Board of Directors deems fit.

### 5.2 Composition

- (a) The RC shall comprise a minimum of three (3) Non-Executive Director, of which the majority shall be Independent Directors. The RC must not have any Executive Director in its membership.
- (b) The composition of the RC and any changes thereof must be approved by the Board after taking into consideration the recommendations of the Nominating Committee.
- (c) If for any reason the number of RC members is reduced to below the minimum three (3), notification should be provided to Bank Negara Malaysia (“BNM”) within two (2) weeks and the Board should fill the vacancy within three (3) months. Failing which, the Company should notify BNM on the shortfall and request for extension of time to fill the vacancy.



### 5.3 Chairman

The Chairman of the RC shall be an Independent Director and the Chairman of the Board must not chair the RC.

### 5.4 Secretary

The Company Secretary shall act as Secretary to the RC.

## 6. MEETINGS

### 6.1 Frequency and Mode of Meeting

- (a) The RC should meet at least once a year. Meeting may be held in a physical, virtual or hybrid format.
- (b) The Chairman of the RC may at any time, and the Company Secretary shall on the requisition of the RC Chairman, summon a RC meeting.
- (c) The RC meetings shall be scheduled in advance at the end of the prior calendar year to enable the RC members to plan their schedules accordingly.

### 6.2 Notice and Meeting papers

The agenda together with the meeting papers shall be circulated to the RC members at least seven (7) days prior to each RC meeting to accord sufficient time for the RC members to review and consider issues to be discussed and such period may be shortened or dispensed with provided the RC Chairman so agree.

### 6.3 Quorum

- (a) The quorum of the RC meeting should be at least 2/3 of the RC members with Independent Directors forming majority.
- (b) Directors sitting in RC are not allowed to appoint alternate directors to represent them in RC meeting.

### 6.4 Chairman of the Meeting

Where the RC Chairman is unable to attend a meeting, the members present at the meeting shall elect a person among themselves who is an Independent Directors, as Chairman.



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## 6.5 Voting

- (a) Every RC member shall have a right to speak and vote on any matter tabled at the Meeting.
- (b) Recommendations of RC shall be made by way of consensus. For avoidance of doubt, consensus means general agreement of all members present at the RC meeting.
- (c) In the event that a consensus in respect of any issues cannot be achieved, the decision of the Chairman shall be final. The Chairman must however report to the Board of Directors that a consensus could not be reached by the RC members.
- (d) Member of the RC who has a direct or deemed interest in the subject matter presented at the RC meeting shall abstain from participating in a discussion and decisions in matters involving him.
- (e) The RC may invite the Chief Executive Officer or any person to be in attendance to assist in its deliberation. Other invitees, if any, shall be on a need basis and for specific issues only with the RC Chairman's approval. Invitees shall not have any voting rights.

## 6.6 Minutes of the RC Meetings

Minutes of the RC meeting shall be recorded by the Company Secretary or any persons so appointed by the RC and finalized within 3 weeks from the date of RC meeting.

## 6.7 Circular resolution

A resolution in writing signed or assented by all RC members for the time being, shall be as valid and effectual as if it had been passed at a meeting of the RC. Any such resolution may consist of several documents in the like form, each signed or assented to by one or more RC members, transmitted by the members of the RC via facsimile transmission or email or other similar means of communication to the Company Secretary.

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## 7. DEFINITIONS

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| <b>Affiliate</b>            | In relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the entity.   |
| <b>Executive director</b>   | Person who has management responsibilities in the Company or any of its affiliates (whether or not he is an officer of the Company or any of its affiliates).   |
| <b>Independent director</b> | <p>An independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him-</p> <ul style="list-style-type: none"><li>(a) has been an executive in the last 2 years;</li><li>(b) is a substantial shareholder of the Company or any of its affiliates; or</li><li>(c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last 2 years.</li></ul> <p>A person is “linked” to another person where -</p> <ul style="list-style-type: none"><li>(i) one person is accustomed to represent, or take instructions from, the other person;</li><li>(ii) they are relatives; or</li><li>(iii) one person is an entity, and the other person is a partner, shareholder, director or officer of that entity or its affiliate;</li></ul> <p><u>Financial Services Act 2013:</u></p> <p>“relative” in relation to an individual means:-</p> <ul style="list-style-type: none"><li>(a) the spouse of the individual;</li><li>(b) the brother or sister of the individual, or of the spouse of the individual;</li><li>(c) any lineal ascendant or descendant of the individual, or of the spouse of the individual;</li><li>(d) the spouse of any individual referred to in paragraph (b) or (c);</li><li>(e) any lineal descendant of an individual referred to in paragraph (b) or (d);</li><li>(f) any uncle, aunt or cousin of the individual, or of the spouse of the individual; or</li><li>(g) any spouse, or any lineal ascendant or descendant, of an individual referred to in paragraph (f).</li></ul> |



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| <b>key responsible persons</b>    | As defined in the Company's Fit & Proper Policy.   |
| <b>other material risk takers</b> | refers to an officer who is not a member of senior management of a financial institution and who-<br>(a) can materially commit or control significant amounts of the financial institution's resources or whose actions are likely to have a significant impact on its risk profile; or<br>(b) is among the most highly remunerated officers in the financial institution; |
| <b>remuneration</b>               | Includes salary and benefits of any kind   |
| <b>senior management</b>          | Senior officers determined by the Chief Executive Officer from time to time.   |

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