

PRUDENTIAL BSN TAKAFUL BERHAD  
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**BOARD CHARTER**

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Version ControlVersion	Author	Changes Reference	Date
1.0	Ou Chee Voi	<ul style="list-style-type: none"> <li>• First version approved by the Board of Directors</li> </ul>	20 October 2016
2.0	Tomis Peter Samat	<p>Revisions made to:</p> <ul style="list-style-type: none"> <li>i) Update the Board's roles and responsibilities pursuant to the Islamic Financial Services Act 2013 (<b>IFSA</b>), the Malaysian Code of Corporate Governance 2017 (<b>MCCG 2017</b>) and the Guidelines of Bank Negara Malaysia (<b>BNM Guidelines</b>) including: - <ul style="list-style-type: none"> <li>a) policy document (PD) on Related Party Transactions (<b>RPT PD</b>) (issued on 28 June 2013, effective 30 June 2013);</li> <li>b) PD on Appointed Actuary: Roles and Responsibilities (<b>AA PD</b>)(issued on 28 April 2014, effective 1 Jan 2015);</li> <li>c) PD on Introduction of New Product for Insurers and Takaful Operators (<b>INP PD</b>) (issued on 15 May 2015, effective 1 July 2015);</li> <li>d) PD on Internal Capital Adequacy Assessment Process for Takaful Operators (<b>ICAAP</b>) (issued on 15 April 2016, effective 1 January 2017);</li> <li>e) PD on Stress Testing (issued on 30 June 2016, effective 1 September 2016);</li> <li>f) PD on Corporate Governance 2016 (<b>CG PD</b>) issued on &amp; effective from 3 August 2016);</li> <li>g) PD on Investment-Linked Business (<b>IL PD</b>) (issued on 11 Jan 2019, effective 11 Jan 2019);</li> <li>h) PD on Outsourcing (<b>Outsourcing PD</b>) (issued &amp; effective from 23 October 2019);</li> </ul> </li> </ul>	21 April 2020

Version ControlVersion	Author	Changes Reference	Date
		<ul style="list-style-type: none"> <li data-bbox="683 488 1155 689">i) PD on Anti-Money Laundering/Counter Financing Terrorism &amp; Targeted Financial Sanctions (<b>AML/CFT &amp; TFS PD</b>) (issued on 31 Dec 2019, effective 1 Jan 2020)</li> <li data-bbox="683 734 1155 869">j) PD on Operating Cost Control for Life Insurance &amp; Family Takaful Business (<b>OCC PD</b>) (issued on 24 Dec 2019, effective 1 Jan 2020);</li> <li data-bbox="683 913 1155 1014">k) PD on Shariah Governance (<b>SG PD</b>) (issued on 20 September 2019, effective 1 April 2020).</li> <li data-bbox="683 1059 1155 1193">l) PD on Fair Treatment of Financial Consumer 2019 (<b>FTFC PD</b>) (issued on 6 Nov 2019, effective 6 May 2020); and</li> <li data-bbox="683 1238 1155 1339">m) PD on Takaful Operational Framework (<b>TOF PD</b>) (issued in June 2019, effective 1 July 2020)</li> </ul> <p data-bbox="635 1384 1066 1406">ii) Enhance governance processes.</p>	

3.0	Tomis Peter Samat	<p>Revisions made to:</p> <p>i) Update the Board's roles and responsibilities pursuant to the Malaysian Code of Corporate Governance 2021 (MCCG 2021), Bursa Listing Requirement and the Guidelines of Bank Negara Malaysia (BNM Guidelines) including: -</p> <p>a) PD on Bancassurance/Bancatakaful (Banca PD) (issued on 30 June 2022, effective 1 January 2023 except for paragraphs 9.12 to 9.14, effective 30 June 2022); and</p> <p>b) PD on Management of Customer Information and Permitted Disclosures (MCIPD) (issued and effective on 12 October 2021).</p>	14 December 2022
<b>4.0</b>	<b>Tomis Peter Samat</b>	<b>Revisions made to update the Board's roles and responsibilities pursuant to S.9.4 of the policy document ("PD") on Shariah Governance ("SGPD") (issued on 20 September 2019, effective 1 April 2020).</b>	<b>21 August 2023</b>

## **PRUDENTIAL BSN TAKAFUL BERHAD BOARD CHARTER**

### **1. OBJECTIVE**

- 1.1 The purpose of this Board Charter is to promote the highest standard of Corporate Governance and to clarify, among others, the roles and responsibilities of the Board of Directors (Board) of Prudential BSN Takaful Berhad (PruBSN). The Board Charter serves not only as a reminder of the Board's roles and responsibilities, but also as a general statement of intent and expectation as to how the Board discharges its duties and responsibilities.
- 1.2 In developing the Board Charter, the Board has taken into account all applicable rules, laws and regulations of Malaysia including but not limited to the following:
  - 1.2.1 Islamic Financial Services Act 2013 (IFSA);
  - 1.2.2 Guidelines of Bank Negara Malaysia (BNM Guidelines);
  - 1.2.3 The Malaysian Companies Act 2016 (CA 2016); and
  - 1.2.4 The Company's Constitution (CC).
- 1.3 The Board Charter serves as a source reference and primary induction literature, providing insights to existing and prospective Board members to assist the Board in the performance of their fiduciary duties as Directors of the Company. It will also assist the Board in the assessment of its own performance and of its individual Directors.
- 1.4 The Board Charter does not overrule or pre-empt the statutory requirements of Directors enshrined in IFSA, CA 2016, the Income Tax Act 1967 or other relevant statutes, including the conduct of the Board as stipulated in the CC and Shareholders Agreement of the Company.

### **2. ROLES OF THE BOARD**

- 2.1 The role of the Board is to collectively be responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board is also to promote and protect the interests of PruBSN. The Board provides advice in fine-tuning corporate strategies and ensures the effective execution of these strategies.

**2.2** The Board responsibilities should be read together with Section 65 of the Islamic Financial Services Act 2013 (Functions and Duties of the Board of Directors).

**2.3 The Board reserves for its consideration significant matters such as the following:**

- 2.3.1 Financial results;
- 2.3.2 Dividends;
- 2.3.3 Business Plans;
- 2.3.4 Long-term Strategic Plans;
- 2.3.5 Annual Budget;
- 2.3.6 Overall Risk Strategy, Risk Policies and the Risk Appetite/Tolerance;
- 2.3.7 Material Related Party Transactions;
- 2.3.8 Appointment of Senior Management Team;
- 2.3.9 Business Continuity Management;
- 2.3.10 IT and Cybersecurity Strategic Plans;
- 2.3.11 Outsourcing Framework and Plans;
- 2.3.12 Fair Treatment of Financial Consumers; and
- 2.3.13 Other initiatives which would, singularly or cumulatively, have a material impact on PruBSN's risk profile, financial soundness, reputation or key operational controls.

**2.4** The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company and for ensuring reasonable standards of fair dealing, without undue influence from any party. They must consider the short-term and long-term implications of the Board's decisions on the Company and its customers, officers and the general public. In fulfilling this role, the Board must: -

- 2.4.1 approve the risk tolerance and risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- 2.4.2 exercise effective oversight on all aspects of stress testing programme;
- 2.4.3 oversee, together with senior management, capital management to ensure that the Company maintains an adequate level and quality of capital for its risk profile and business plan;
- 2.4.4 approve annual review of individual target capital level (ITCL) and capital management plan (CMP);
- 2.4.5 approve all material related party transactions (excluding reinsurance cessions and retakaful cessions);
- 2.4.6 oversee the selection, performance, compensation and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- 2.4.7 appoint a person approved by BNM to be its appointed actuary and ensure that the duties of the appointed actuary can be discharged without any hindrance;
- 2.4.8 review the reports submitted by the appointed actuary at a sufficiently granular level that enables the Board to form a well-founded view on the following matters:

- (a) whether adequate provisions have been made to meet the Company's obligations under certificate which it has written;
  - (b) whether any major risks or concerns exist which affect the Company's ongoing financial soundness;
  - (c) whether current strategies and business plans pursued by the Company are consistent with the sound financial management of the Company and the fair treatment of participants;
  - (d) whether the company's processes for identifying, reporting and managing new risks have been effective in the light of issues raised by the appointed actuary;
  - (e) whether business decisions taken or planned to be taken need to be reviewed in light of limitations and alternative conclusions highlighted by the appointed actuary; and
  - (f) whether corrective actions recommended by the appointed actuary have been implemented adequately.
- 2.4.9 ensure that the level and frequency of direct engagement with the appointed actuary are sufficient to inform the Board's views on matters that have been outlined in paragraph 2.4.8 above. In addition, the Board must request advice from the appointed actuary on the likely effects of any significant changes in business plans on the financial condition of the licensed person and interests of the participants;
- 2.4.10 ensure, together with senior management, that product risks are well managed and that the needs and rights of consumers are appropriately addressed;
- 2.4.11 oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Company's operations;
- 2.4.12 promote, together with senior management, a sound corporate governance culture within the Company which reinforces ethical, prudent and professional behavior;
- 2.4.13 promote, together with senior management, sustainability through appropriate environmental, social and governance considerations underpinning sustainability in the Company's business strategies which supports long-term value creation;
- 2.4.14 oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, critical operations and critical services when it comes under stress;
- 2.4.15 promote timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;

- 2.4.16 review and approve the outsourcing risk management framework and outsourcing plan, detailing the financial institution's planned outsourcing arrangements for the following financial year before the plan is submitted to BNM;
- 2.4.17 oversee the effective management of takaful operations that support the Company's business and risk strategies. In fulfilling this role, the board must approve an operational framework governing the management of takaful operations that complies with Shariah and promotes sustainable takaful operations;
- 2.4.18 approve the proposed amount of profit distributable from participant investment fund (PIF) or surplus distributable from participant risk fund (PRF);
- 2.4.19 oversee the creation of PRF, the risk ceded to reinsurer / insurer and cross trade transactions;
- 2.4.20 approve the proposed increase in the surplus payable to shareholders if it is beyond the 50% cap from PRF;
- 2.4.21 oversee and approve the adequacy of IT and cybersecurity strategic plans covering a period of no less than 3 years;
- 2.4.22 oversee and approve the effective implementation of a sound and robust Technology Risk Framework Management and Cyber Resilient Framework at least once every 3 years;
- 2.4.23 oversee, together with senior management, associated risks when engaging third party service providers for critical technology functions and systems;
- 2.4.24 oversee and approve cloud strategy and cloud operational management.
- 2.4.25 promote Shariah compliance in accordance with expectations set out in the BNM policy document on Shariah Governance and ensure its integration with the Company's business and risk strategies. In fulfilling this role, the Board must: -
  - (a) approve policies relating to governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance within the IFI; and
  - (b) institutionalise a robust Shariah governance framework that is commensurate with the size, complexity and nature of the Company's business. The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of the Company;
- 2.4.26 set clear expectations on fair treatment of financial consumers (FTFC) and ensure that this is embedded in the Company's corporate culture and core values;
- 2.4.27 in relation to Anti-Money Laundering /Counter Financing Terrorism (AML/CFT) and Targeted Financial Sanctions (TFS) 2019: -



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

2.4.28 ensure regular independent audits of the internal AML/CFT measures to determine their effectiveness and compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), its subsidiary legislation, and the relevant documents on AML/CFT issued by BNM as well as the requirements of the relevant laws and regulations of other supervisory authorities, where applicable;

2.4.29 ensure that the roles and responsibilities of the independent auditor engaged to perform audits on the internal AML/CFT is clearly defined and documented;

2.4.30 determine and ensure that the frequency and scope of independent audits conducted commensurate with the ML/TF risks and vulnerabilities assessed by the reporting institution;

2.4.31 set and ensure the effective implementation of appropriate policies and procedures to address any specific ML/TF risks associated with the implementation of non-face to face (FTF) business relationships;

- 2.4.32 ensure that the conduct of the Company is consistent with the objectives and requirements set out in BNM policy document on Operating Cost Control for Life Insurance & Family Takaful Business;
- 2.4.33 ensure effective oversight of the Company's investment-linked business as part of the licensed person's overall strategy management and risk control framework;
- 2.4.34 ensure that the governance for the management of the Company's investment-linked business (including internal structures, policies and processes) is consistent with the requirements set out in the policy document on Corporate Governance, and enable the Company to fulfil its responsibility of ensuring fair treatment of takaful participants. Towards this, the board must establish appropriate reporting structures for senior management to support the board in its oversight responsibilities of the Company's investment-linked business;
- 2.4.35 consider whether the establishment of an appropriate internal board committee is necessary for the purposes of effecting paragraph 9.3. If the board establishes such a committee, the Board must ensure that the committee:
- (a) has clear responsibilities for the oversight, management and control of the Company's investment-linked business; and
  - (b) is able to provide a countervailing influence on management perspectives, for the benefit of takaful participants.
- 2.4.36 ensure that its investment-linked takaful business is managed in compliance with Shariah principles and relevant regulatory requirements. This includes, but is not limited to the following areas:
- (a) management of investment-linked takaful funds;
  - (b) investment activities;
  - (c) product design and structure; and
  - (d) the suitability of the underlying contracts.
- 2.4.37 ensure that the governance arrangements for the management of its bancatakaful business (including internal governance structures, policies, procedures and controls) are consistent with the requirements set out in the CG PD, FTFC PD and INP PD, respectively;
- 2.4.38 approve the Company's internal governance structures, policies, procedures and controls with respect to the formulation of the bancatakaful arrangement, the implementation and monitoring of bancatakaful arrangements, as well as the design and distribution of bancatakaful products;
- 2.4.39 set the tone-at-the-top on the importance of safeguarding customer information and the potential consequences on the Company in the event of a customer information breach. The Board shall also exercise its oversight function in all matters pertaining to the proper handling of customer information;
- 2.4.40 approve the Company's written policies and ensure procedures and controls are in place to provide adequate protection over the confidentiality and security of customer information;

- 2.4.41 oversee the implementation and maintenance of the policies and procedures, including reviewing reports relating to the management of customer information from senior management. The Board must be satisfied that the policies, procedures and controls are adequate and effective in safeguarding customer information; and
- 2.4.42 require assurance from senior management annually that the controls in place to protect customer information are working effectively and the Company's outsourced service providers fulfil their obligations in accordance with the contract provisions on safeguarding customer information.

### **3. COMPOSITION OF THE BOARD**

#### **3.1 Size of the Board**

- 3.1.1 The Board and the Board Committees must be of a size that promotes effective deliberation, encourages the active participation of all Directors and allows the work of the various Board committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees.
- 3.1.2 Article 68 of the CC states that the number of Directors shall unless otherwise determined in a general meeting be not less than six (6) or more than eight (8).
- 3.1.3 The Board must 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. It is important that the criteria and skills set be reviewed regularly to ensure alignment with the strategic direction and emerging challenges faced by the Company. This must also take into account supervisory concerns highlighted by BNM that require specific expertise on the Board.
- 3.1.4 The Board of the Company must not have more than one Executive Director, unless BNM approves otherwise in writing.
- 3.1.5 The Board must have a majority of Independent Directors at all times. However, BNM PD on Corporate Governance allows the Company up to 2019 to comply with the requirement of Independent Directors to make up at least half of the Board membership and by 2021 make up a majority of the Board membership.
- 3.1.6 Directors who are Board members of the Company's affiliates must remain in the minority of the Company's Board if: -
  - (a) the affiliate is a holding Company or subsidiary of the Company and is itself a financial institution;
  - (b) one entity is a licensed insurer and the other is a licensed takaful operator;
  - (c) one entity is a licensed bank or licensed investment bank, and the other is a licensed Islamic bank; or
  - (d) there are strong operational dependencies between the Company and the affiliate.

- 3.1.7 Article 71 of the CC states that each BSN and PCHL shall be entitled to nominate and cause to be appointed an equal number of Directors and shall be further entitled to remove any Director so nominated and appointed and appoint a fresh Director in his/her place as well as appoint a fresh Director in the event of any Director appointed by that party resigning, dying, retiring or having been removed or otherwise ceasing to hold office as a Director.
- 3.1.8 Any appointment of any Director shall be subject to compliance with any relevant laws, including Sections 63 and 64 of the IFSA and any guidelines issued by the BNM from time to time.

## **3.2 Chairman**

- 3.2.1 The Chairman must not be an Executive Director and must not have served as Chief Executive Officer (CEO) of the Company in the past five (5) years.
- 3.2.2 Article 89 of the Company's CC states that for as long as BSN hold the majority of shares issued by the Company, the Chairman shall be a Director nominated and appointed by BSN. Where BSN for any reason whatsoever does not hold the majority of shares, the Chairman shall be a Director nominated and appointed by a majority of the Board. The Chairman shall only be entitled to vote in his/her capacity as a Director and shall not have an additional or casting vote in his/her capacity as decision. The Chairman nominated and appointed shall preside as Chairman at Board meetings but if at any meeting the Chairman is not present within fifteen (15) minutes after the time for holding the meeting, the Directors present may choose one (1) among themselves to be Chairman of the Board meeting.
- 3.2.3 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, including ensuring all strategic and critical issues are brought to the Board's attention, 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;
  - (d) lead efforts to address the Board's developmental needs; and
  - (e) lead the Board in establishing and monitoring good corporate governance practices in PruBSN.
- 3.2.4 The roles of the Chairman and Chief Executive Officer (CEO) of the Company are distinct. The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensures a balance of power and authority, such that no one individual has unfettered powers of decision-making.

### 3.3 **Executive Director**

3.3.1 Executive Director refers to a Director of the Company who has the management responsibilities in the Company or any of its affiliates;

### 3.4 **Non-Executive Director**

3.4.1 Non-Executive Director refers to a Director of the Company who do not have an active role in the management of the Company or who do not participate in the day-to-day running of the Company's business.

3.4.2 Non-Executive Director is expected to provide effective counterbalance to the collective influence of executives on the Board.

### 3.5 **Independent Director**

#### 3.5.1 **Definition**

(a) The Board must determine whether an individual to be appointed as Independent Director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his/her independent judgement. An individual must not be considered to be an Independent Director if he or any person linked to him: -

- (i) has been an executive in the last 2 years;
- (ii) is a substantial shareholder of the Company or any of its affiliates;  
or
- (iii) has had a significant business or other contractual relationship with the Company or any of its affiliates within the last 2 years.

"Significant business or other contractual relationship" shall be defined pursuant to the Conflict of Interest policy for the Board under Section 11 of the Terms of Reference of the Board.

(b) An Independent Director must 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.

#### 3.5.2 **Tenure Limit**

(a) The Board must set and disclose in its Corporate Governance disclosures a policy on the tenure for which an individual can serve as an independent director to promote independent oversight by the Board. The tenure limits for Independent Directors should generally not exceed nine (9) years except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Company.

- (b) Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

### 3.5.3 Responsibilities

- (a) The primary responsibility of Independent Directors is to protect the interest of minority shareholders, other stakeholders and the general public. Therefore, Independent Directors shall provide effective oversight and ensure a strong independent element on the Board for it to function effectively and exercise objective judgments. The effective participation of Independent Directors serves to promote greater accountability and balance in the board's decision-making process.
- (b) The responsibilities of an Independent Director include the following: -
  - (i) to provide independent judgement, experience and objectivity without being subordinated to operational considerations;
  - (ii) to enhance the independence and objectivity of the Board's deliberations from the executive arm of PruBSN;
  - (iii) to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of PruBSN;
  - (iv) to constructively challenge and contribute to the development of business strategies and direction of PruBSN;
  - (v) to ensure the Board uses adequate systems and controls to safeguard the interests of PruBSN;
  - (vi) to ensure effective 'check and balance' in the proceedings of the Board; and
  - (vii) to monitor and provide an objective view on the performance of executive directors and management in meeting the agreed goals and objectives.

## 3.6 General Duties of Directors

- 3.6.1 In addition to the roles and responsibilities of directors specifically mentioned above, a director of the Company shall at all times comply with any relevant laws, including Section 66 of the Islamic Financial Services Act 2013 and any guidelines issued by the BNM from time to time.

## 3.7 Training Requirements

- 3.7.1 All Directors are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to keep abreast of industry and technology matters, corporate governance development and other matters relevant to their roles and responsibilities and which will enable them to sustain their active participation on Board deliberations.

#### **4. BOARD APPOINTMENTS & REMOVALS**

4.1 The Board must establish a rigorous process for appointing, reappointing and removing Directors. Direct engagements between a candidate and the Nominations Committee are an important way to ascertain the suitability of each candidate for the Board.

#### **4.2 Minimum Requirements**

4.2.1 A Director must not: -

(a) be disqualified under Section 68(1) of the IFSA and must have been assessed by the Nominations Committee to have complied with the fit and proper requirements based on BNM policy document on Fit and Proper Criteria relating to:

- (i) Probity, personal integrity and reputation
- (ii) Competency and capability
- (iii) Financial integrity

(b) have competing time commitments that impair his/her ability to discharge duties effectively. The Board must maintain a policy on the maximum number of external professional commitments that a Director may have, commensurate with the responsibilities placed on the Director, as well as the nature, scale and complexity of the Company's operations.

(c) hold any positions or engage in outside businesses that are prejudicial to the interests of the Company. Directors should disclose their other significant commitments, if any, which are likely to affect or interfere with the proper functioning of themselves and the Board. Directors must restrict their number of external professional commitments to not more than five (5) listed companies and fifteen (15) non-listed companies.

(d) be an active politician.

4.2.2 Where a firm has been appointed as the external auditor of the Company, any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a Director until at least two years after: -

- (a) he ceases to be an officer or partner of that firm; or
- (b) the firm last served as an auditor of the financial institution.

4.3 The Board must ensure that each director acknowledges the terms of his/her appointment, which must include:-

4.3.1 the roles and responsibilities of the director, including those arising from his/her membership in any board committee;

4.3.2 the tenure of the appointment; and

- 4.3.3 provisions for the director's removal in the event that he no longer meets the minimum requirements or has been assessed to be ineffective, errant or otherwise unsuited to carry out his/her responsibilities.
- 4.4 The Company must not make an application to the BNM to appoint a Director unless the Board is wholly satisfied, based on its objective assessment, that the candidate meets the minimum requirements, understands the expectations of the role and is able to meaningfully contribute to the Board.
- 4.5 Unless the written approval of BNM has been obtained: -
  - 4.5.1 the Company must not publicly announce the proposed appointment of a Director; and
  - 4.5.2 a Director whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such capacity, including participating in Board meetings or holding himself out to be a Director.
- 4.6 The Company must submit an application to BNM at least three (3) months before it expects the individual to assume his/her proposed responsibilities. In the case of a reappointment, applications must be submitted three (3) months prior to the expiry of the individual's existing term.
- 4.7 Each Director must be assessed annually and as and when the Board becomes aware of information that may materially compromise the Director's fitness and propriety, or any circumstances that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his/her responsibilities. Directors must immediately disclose to the Board any circumstances that may affect his/her responsibility the minimum requirements to be a Director of the Company.
- 4.8 Article 77 of the CC states that the office of a Director shall become vacant if the Director: -
  - 4.8.1 becomes bankrupt or makes any arrangement or composition with his/her creditors generally;
  - 4.8.2 becomes prohibited from being a Director by reason of any order made under the CA or contravenes the CA;
  - 4.8.3 ceases to be or is prohibited from being a Director by virtue of the CA;
  - 4.8.4 becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;
  - 4.8.5 is removed from his/her office as Director by resolution of the Company in general meeting of which special notice has been given; and
  - 4.8.6 absents himself from more than 25% of the total Board meetings held during the financial year.
- 4.9 The prior approval of BNM must be obtained before the Company removes an independent Director and an Independent Director resigns from his/her position.



- 4.10 The Board must establish and regularly review succession plans to promote Board renewal and address unplanned vacancies.

## **5. PROCESSES OF BOARD**

- 5.1 A Director must devote sufficient time to prepare for and attend Board meetings and maintain a sound understanding of the business of the Company as well as relevant market and regulatory developments. This must include a commitment to on-going education.
- 5.2 A Director must attend at least 75% of the Board meetings held in each financial year and must not appoint another person to attend or participate in a Board meeting on his/her behalf.
- 5.3 Attendance at Board meeting by way other than physical presence must remain the exception rather than the norm and is subject to appropriate safeguards to preserve the confidentiality of deliberations. Meetings may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person at such meeting.
- 5.4 The quorum for Board meetings must require that at least half of the Board members be present.
- 5.5 The Board must ensure that clear and accurate minutes of Board meetings are maintained to record the decisions of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.
- 5.6 The Board must be provided with access to advice from third party experts on any matter deliberated by the Board as and when required, and the cost of such advice shall be borne by the Company.
- 5.7 The Board shall attempt to hold at least six (6) Board meetings or more annually unless otherwise determined by the Directors from time to time, and may invite any persons to be in attendance to assist in its deliberations, findings and recommendations.
- 5.8 Article 86 of the CC states that the Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The Company Secretary shall upon request of two (2) Directors comprising at least one (1) Director nominated and appointed by each Bank Simpanan Nasional (BSN) and Prudential Corporation Holdings Limited (PCHL), may convene a Board meeting and issue all necessary notices in respect thereof.
- 5.9 Article 87 of the CC states that unless otherwise determined by the Directors from time to time, fourteen (14) days' notice of all Board meetings shall be given to all Directors. Directors may waive notice of any meeting either prospectively or retrospectively.
- 5.10 Article 90 of the CC states that any question arising at any Board meetings (including any adjourned meeting) shall be decided by majority of votes provided always that no resolution

of the Board shall be carried effective or acted upon unless at least one (1) Directors nominated by BSN and PCHL votes in favour of the same.

## **6. BOARD REMUNERATION**

- 6.1 The remuneration of Directors must be approved by the Board and Shareholders annually.
- 6.2 A periodic review of not less than once in every 3 years shall be conducted on the Directors' remuneration by the Board Remuneration Committee and Board prior to recommending the same for shareholders' approval at a general meeting of the Company. The Directors' remuneration may take into account the demands, complexities and performance of the Company as well as skills and experience required. It should also appropriately reflect the different roles and responsibilities of non-executive directors and executive directors.
- 6.3 Article 75 of the CC states that the fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in a General Meeting.
- 6.4 Article 76(2) of the CC states that if by arrangement with the Directors, any Director shall perform or render any special duties or services outside his/her ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make special efforts in going or residing away from his/her usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a Board Committee, the Company may remunerate the Directors so doing a special remuneration in addition to his/her Directors' fees and such special remuneration may be by way of fixed sum or otherwise as may be arranged.

## **7. BOARD EVALUATIONS AND DEVELOPMENT**

- 7.1 The Board must carry out annual Board evaluations to objectively assess the effectiveness of the Board, Board Committees and individual Directors. This is important to enable the Board to identify areas for professional development and process improvements, having regard for the changing needs of the Company.
- 7.2 When necessary, the Board should engage third party experts to assist in and lend objectivity to the annual Board evaluations.
- 7.3 The Board must dedicate sufficient resources toward the on-going development of its Directors. This must include dedicating an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each director possesses the knowledge and skills including Shariah awareness necessary to fulfil his/her responsibilities.

## **8. SHARIAH GOVERNANCE**

- 8.1 The Board is responsible to promote Shariah compliance in accordance with expectations set out in the BNM policy document on Shariah Governance Framework for Islamic Financial Institutions and ensure that its integration the Company's business and risk strategies. In this respect, the Board must clearly define its relationship with the Company's Shariah

Committee. While the Shariah Committee has distinct responsibilities in relation to Shariah matters, the Board remains responsible for the direction and control of the Company's business and risk strategies.

- 8.2 A Shariah Committee whose members are made up of Muslims religious scholars shall be established to advise the Board on the operations of its takaful business in order to ensure that they do not involve any element which are not compliant to Shariah.
- 8.3 The Shariah Committee shall functionally report to the Board and the Shariah audit findings shall be reported to the Audit Committee.
- 8.4 All Shariah non-compliance events must be reported to the Board. The accountability to ensure Shariah compliance shall remain with the Board. The Board is ultimately accountable and responsible on the overall Shariah governance framework and Shariah compliance of the Company, by putting in place the appropriate mechanism to discharge the aforementioned responsibilities.
- 8.5 The Board, upon consultation with the Shariah Committee shall approve all policies relating to Shariah matters and is expected to ensure that such policies are implemented effectively. The Board shall ensure that decisions made by the Shariah Committee are duly observed and implemented by the Company. Decisions made by the Committee should not be set aside or modified without its consent.
- 8.6 The Board must ensure that an effective communication policy among the key functions of the Company is in place to facilitate smooth escalation of material matters relating to Shariah to the Board. The communication policy should also ensure that staffs are fully aware on the need to observe the Shariah requirements at all times.
- 8.7 The Board shall recognise the independence of the Shariah Committee and ensure that the Committee is free from any undue influence that would hamper the Shariah Committee from exercising objective judgment in deliberating issues brought before them. Correspondingly, the Shariah Committee is expected to make sound decisions on Shariah matters in an independent and objective manner.
- 8.8 All appointment including re-appointment, resignation and removal of the Shariah Committee members shall be made by the Board, subject to the approval by the BNM.
- 8.9 The Board must establish effective communication with the Shariah committee on all matters relating to Shariah requirements, Shariah governance or Shariah non-compliance risks to enable both parties to effectively discharge respective responsibilities under the Shariah governance framework. The Board must regularly review the quality and frequency of its engagement with the Shariah committee.
- 8.10 Unless otherwise advised by the Shariah Committee and the Board, the engagement activities between the Board and the Shariah Committee shall consist of the following:
  - 8.10.1 Shariah Committee resolutions to be presented to the Board for notification in the nearest Board meeting after the Shariah Committee resolutions were issued and the Shariah Committee minutes were approved. The Shariah Committee may delegate the presentation of this notification paper to the Head of Shariah. The aim of this exercise is to ensure that the Shariah Committee resolutions are supplied to the Board on a timely manner. In the event the Head of Shariah presents the Shariah

Committee resolutions on behalf of the Shariah Committee in the Board meeting, should there be any feedback from the Board, the same shall be conveyed to the Shariah Committee. Any further discussion needed can be held at an engagement session between the Shariah Committee and the Board; and

8.10.2 The Shariah Committee and the Board are to meet in training/engagement sessions twice a year. The Shariah Committee and the Board shall provide directions on the agenda and content to enable appropriate preparations.

## **9. BOARD COMMITTEES**

9.1 The Company must establish the following Board Committees: -

- 9.1.1 Board Nominations Committee;
- 9.1.2 Board Remuneration Committee;
- 9.1.3 Board Risk Management Committee; and
- 9.1.4 Board Audit Committee.

9.2 Each Board Committee must:

- 9.2.2 have at least three directors;
- 9.2.2 have a majority of independent directors;
- 9.2.3 be chaired by an independent director; and
- 9.2.4 comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee.

9.3 The Chairman of the Board must not chair any of the Board Committees.

9.4 With the exception of the Nominations Committee, Board Committees must not have any Executive Director in its membership.

9.5 The Board remains fully accountable for any authority delegated to the Board Committees.

9.6 The Board may establish any other committee as it deems fit together with its terms of reference.

9.7 Board Committees must be provided with sufficient support and resources required to investigate any matter within their mandates.

## **10. ROLE OF BOARD COMMITTEES**

### **10.1 Board Nominations Committee**

10.1.1 The primary objective of this committee is to support the Board in carrying out its functions in the following matters concerning the Board (including Board Committees), Shariah Committee, CEO, Senior Officers and Company Secretary:-

- (a) appointments and removals;
- (b) composition;

- (c) performance evaluation and development; and
- (d) fit and proper assessments.

## **10.2 Board Remuneration Committee**

10.2.1 The primary objectives of this committee are: -

- (a) to support the Board in actively overseeing the design and operation of the Company's remuneration system;
- (b) to provide a formal and transparent procedure for developing a remuneration policy for Directors, Shariah Committee, CEO, senior officers and other material key risk taker and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy; and

**[Added to provide clarity on its function and to be in line with its Terms of Reference]**

- (c) to periodically review (not less than once in every 3 years) the compensation of Directors on the Board, particularly on whether compensation remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

## **10.3 Board Risk Management Committee**

10.3.1 The primary objectives of this committee are: -

- (a) to support the Board in meeting the expectations on risk management as set out in the BNM policy document on Risk Governance;
- (b) to support the Board in the implementation of a sound compensation system, examine whether incentives provided by the compensation system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee;
- (c) to support the Board's oversight function over technology-related matters in line with the BNM policy document on Risk Management in Technology;
- (d) to review Shariah Risk Management in line with the BNM policy document on Shariah Governance;
- (e) to review risks related to sustainability matters, including (but not limited to) social and environmental consequences arising from the Company's strategic decisions, business operations, conducts, and offerings;
- (f) to support the Board in setting the tone from the top to ensure reasonable standards of fair dealing and to promote sound corporate culture which reinforces ethical, prudent, and professional conduct and behaviour as well as demonstrating commitment to fair treatment of financial customers ("**FTFC**") through actions, communications, and measures to achieve FTFC outcomes]

- (g) to consider material findings from regulatory review and interactions with regulators which impact on risk governance or risk management processes and emerging regulatory risks and changes in the financial environment; and
- (h) to assist the Board's oversight function over investment related matters from Enterprise Risk perspective.

#### **10.4 Board Audit Committee**

10.4.1 The primary objectives of this committee are: -

- (a) to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;
- (b) to oversee the effectiveness of the internal audit function of the Company. At a minimum, this must include: -
  - (i) reviewing and approving the audit scope, procedures and frequency;
  - (ii) reviewing key audit reports and ensuring that Senior 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 the internal audit and other control functions;
  - (iii) noting significant disagreements between the Internal Auditor and the Senior Management Team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
  - (iv) establishing a mechanism to assess the performance and effectiveness of the internal audit function.
- (c) to foster a quality audit of the Company by exercising oversight over the External Auditor, in accordance with the expectations set out in the BNM policy document on External Auditor. At a minimum, this must include: -
  - (i) making recommendations to the Board on the appointment, reappointment, removal and compensation of the External Auditor;
  - (ii) reviewing and endorsing for Board's approval the terms of an audit engagement prior to confirming an engagement;
  - (iii) monitoring and assessing the independence of the External Auditor including by approving the provision of non-audit services by the External Auditor;
  - (iv) monitoring and assessing the effectiveness of the External Audit, including by meeting with the External Auditor without the presence of Senior Management at least annually;
  - (v) maintaining regular, timely, open and honest communication with the External Auditor, and requiring the External Auditor to report to the Board Audit Committee on significant matters; and

- (vi) ensuring that Senior Management is taking necessary corrective actions in a timely manner to address External Audit findings and recommendations.
- (d) to review and update the Board on all related party transactions and submission of returns to BNM;
- (e) to review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, Corporate Governance Disclosures and Interim Financial Reports;
- (f) to monitor compliance with the Board's conflicts of interest policy;
- (g) to review the design and effectiveness of the Company's internal control framework;
- (h) to review and seek assurances on the effectiveness of the Company's compliance framework; and
- (i) to review and endorse for the Board's approval any procedures operated by the Company for handling allegations from whistleblowers and any policy to combat financial crime, including money-laundering activities, fraud, sanctions and bribery and corruption.

## **10.5 Board Investment Committee**

10.5.1 The primary objective of this committee is to provide an oversight role for investment management to ensure that the Board meets its accountability in investment of takaful funds.

10.5.2 Duties of this Committee include:

- (a) To provide oversight on, amongst others:
  - (i) Investment Policies and Strategies, including approving investment funds' strategic asset allocation (SAA) and tactical asset allocation (TAA) range;
  - (ii) Investment Risk Management Framework;
  - (iii) Investment Performance and Operations & Controls;
  - (iv) Environmental, Social and Governance (ESG) compliance in respect of responsible investing;
- (b) To approve the terms of reference of the Management Investment Committee; and
- (c) To approve the appointment of the Chief Investment Officer or equivalent.

## **11. CONFLICT OF INTERESTS**

11.1 The Board must establish a written policy to address directors' actual and potential conflict of interest. Upon the appointment of directors, directors are responsible for acting honestly

for the benefit of PruBSN and shall avoid self-serving practices. Conflicts of interest must be disclosed immediately and when necessary, avoided.

- 11.2 Section 67 of the IFSA requires a Director to disclose to the Board the nature and extent of his/her interest in a material transaction or material arrangement, and, if such material transaction or material arrangement is being deliberated during a Board meeting, to be absent from the meeting during such deliberations.
- 11.3 For the purpose of Section 67 of the IFSA:
- i) An existing or proposed transaction or arrangement will be considered material if it is one which a Director is required to declare under Section 221 of the CA, 2016, unless the Director or any person linked to him/her cannot reasonably be expected to derive a benefit or suffer a detriment from the transaction or arrangement in a way that will place the Director in a position of conflict; and
  - ii) An interested Director must make the disclosure by way of written notice to all members of the Board and the Company Secretary:
    - a) As soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
    - b) If the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.
- 11.4 The CA provides that a Director who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the Company shall be counted only to make the quorum at the Board meeting but shall not participate in any discussion while the contract or proposed contract is being considered at the Board meeting and shall not vote on the contract or proposed contract.

## **12. CODE OF ETHICS**

- 12.1 The Directors must maintain the highest degree of integrity and professionalism while at the same time promoting transparency and accountability in their actions.
- 12.2 The Company must adopt a Code of Ethics which provide guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity in reporting and the fair treatment of customers. The Company must maintain a record of breaches of the Code of Ethics and address such breaches in a manner that upholds high standards of integrity.
- 12.3 The Board has overall responsibility for the Company's Code of Ethics policy and shall oversee the implementation of the policy.

## **13. WHISTLEBLOWING POLICY**

- 13.1 The Company is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner. In this respect, the Company provides avenue for all employees and members of the public to disclose any improper conduct within the Company.



- 13.2 The Company must establish a Whistleblowing Policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Individuals must be able to raise concerns about illegal, unethical or questionable practices in confidence and without risk of reprisal.
- 13.3 The Board has overall responsibility for the Company's Whistleblowing policy and shall oversee the implementation of the policy. A Non-Executive Director must be designated to be responsible for the effective implementation of the Company's Whistleblowing Policy.

#### **14. REVIEW**

- 14.1 This Board Charter is subject to review by the Board from time to time, to ensure the Company remains at the forefront of best practices in corporate governance.
- 14.2 The Board Charter is also subject to amendment from time to time in order to ensure compliance with the requirements of rules, laws and regulations of Malaysia.