



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

(Formerly known as Syarikat Takaful Malaysia Berhad)

(COMPANY NO.: 131646-K)

(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE BOARD OF DIRECTORS (TOR)/ BOARD CHARTER

1.0 OBJECTIVES

- 1.1 The objective of the TOR is to ensure that there is a formal and transparent procedure for the Board of Directors to oversee the day-to-day affairs of the business and operations of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB" or "Company"). The Board must ensure that the Company meets the appropriate interests of its shareholders and stakeholders, addresses the challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.
- 1.2 The Board must also ensure that their acts are in accordance with the objects as defined in the Company's Constitution/Memorandum and Articles of Association.

2.0 COMPOSITION OF THE BOARD OF DIRECTORS

- 2.1 Minimum of 5 directors and a maximum of 10 directors (As per Article 65 of the Company's Constitution/Articles of Association).
- 2.2 The members shall be formally appointed by the Board subject to obtaining the necessary approval from Bank Negara Malaysia ("BNM").
- 2.3 At least 2 directors or 1/3rd of the Board of Directors, whichever is the higher, are independent directors. If the number of Directors is not 3 or a multiple of 3, then the nearest 1/3rd shall be used. Independent directors to make up at least half of the Board membership by 3 August 2019 and to make up a majority of Board membership by 3 August 2021.
- 2.4 The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.
- 2.5 The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years.
- 2.6 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 case, the Board must review his designation as an independent director and notify BNM in writing of its decision to affirm or change his/her designation.



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- 2.7 The Board must determine whether an individual to be appointed as an independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his/her independent judgment. An individual shall not be considered to be independent if he/she or person linked to him/her-
- has been an executive of the Company in the last two years;
 - is a substantial shareholder of the Company or any of its affiliates; or
 - has had a significant business or other contractual relationship with the Company or any of its affiliates within the last two years.
- 2.8 In relation to the above, the Company will also refer to Practice Note 13 and Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad including what constitutes a "significant business or other contractual relationship".
- 2.9 The Board shall not have more than one Executive Director, unless approved in writing by BNM.
- 2.10 To ensure that group interests are appropriately balanced against the fiduciary and statutory duties that directors owe towards each legal entity they serve, directors who are Board members of a financial institution and its affiliates must remain in the minority of the financial institution's Board if-
- (a) one entity is a licensed insurer and the other is a licensed takaful operator;
 - (b) one entity is a licensed bank or licensed investment bank, and the other is a licensed Islamic bank;
 - (c) the affiliate is a holding company or subsidiary of the financial institution that is itself a financial institution; or
 - (d) there are strong operational dependencies between the financial institution and the affiliate.

3.0 CHAIRMAN OF THE BOARD

- 3.1 The Chairman of the Board must be a non-executive, and must not have served as its Chief Executive Officer in the past five years. The positions of Chairman and Group Managing Director/Chief Executive Officer should be held by different individuals.
- 3.2 The following are the main duties and responsibilities of the Chairman of the Board:-
- 3.2.1 to steer the Board to achieve its objectives;



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- 3.2.2. to provide leadership to the Board and ensure proper flow of information to the Board, review adequacy and timing of documentation;
- 3.2.3. to provide a reasonable time for discussion at the Board meetings. Organizes and leads the agenda for Committee meetings based on input from Directors/Group Managing Director/Chief Executive Officer and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy discussion and ensure that dissenting views can be freely expressed and discussed;
- 3.2.4. to ensure that consensus is reached on every Board resolution and where considered necessary, call for a vote and the decision will be made by simple majority; OR in the event a consensus cannot be obtained, the Chairman may elect to defer the subject matter to the next meeting;
- 3.2.5. to manage the process and working of the Board and ensure that the Board discharges its responsibilities;
- 3.2.6. to ensure all Directors participate in the discussion to enable and encourage effective decisions are met; and
- 3.2.7. lead efforts to address the Board's developmental needs.

4.0 DIRECTORS

- 4.1 A Director must fulfil the minimum requirements as set out in Paragraphs 4.2 to 4.5 below at the time of his/her appointment and on a continuing basis.
- 4.2 A Director must not be disqualified under Section 68(1) of the IFSA, and must have been assessed by the Nomination Committee to have complied with the fit and proper requirements.
- 4.3 A Director must not have competing time commitments that impair his/her ability to discharge his/her duties effectively. In view of this, a Director must not have simultaneously serve on the Board of more than 5 listed companies and 15 non listed companies.
- 4.4 A Director must not be an active politician.
- 4.5 A Director must not be a partner of the external auditor of the Company, or an officer directly involved in the external audit engagement, until at least two years after he/she ceases to be a partner/officer of the firm or the firm last served as the Company's external auditor.
- 4.6 Each Director must be assessed against the minimum requirements set out in Paragraphs 4.2 to 4.5 at least annually, and as and when the



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Board becomes aware of 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 responsibilities. A Director must immediately disclose to the Board any circumstance that may affect his/her ability to meet the minimum requirements.

- 4.7 The Board must ensure that each Director acknowledges the terms of his/her appointment, including –
- his/her role and responsibilities, including those arising from his/her membership in any Board Committee;
 - his/her tenure of appointment; and
 - provisions for his/her removal where he/she no longer meets the said minimum requirements or has been assessed to be ineffective or unsuited to carry out his/her responsibilities.
- 4.8 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.
- 4.9 The Company must not make an application to BNM to appoint a Director unless the Board is wholly satisfied that the candidate meets the minimum requirements set out in Paragraphs 4.2 to 4.5, understands the expectations of his/her role and is able to meaningfully contribute to the Board.
- 4.10 The Company must not publicly announce the proposed appointment of a Director unless the written approval of BNM has been obtained. A Director whose tenure has expired and is being proposed for reappointment must cease to hold office until his/her reappointment is approved by BNM.
- 4.11 The office of a Director shall become vacant if he/she-
- (a) becomes of unsound mind;
 - (b) becomes bankrupt;
 - (c) is absent from more than 50% of the total Board meetings of the Company held during the financial year;
 - (d) is convicted by a court of law, whether within Malaysia or elsewhere; or

For the purpose of Paragraph 4.11 (c) above, if a Director is appointed after the commencement of the financial year, only the Board meetings held after his appointment will be taken into account.



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- 4.12 The Company must not remove an Independent Director, or accept the resignation of an Independent Director from his/her position unless the written approval of BNM has been obtained.
- 4.13 Each Director shall be expected to:-
- i. provide independent opinions to the fact-finding, analysis and decision making process of the Board, based on their experience and knowledge;
 - ii. consider viewpoints from other Board members; make decisions and recommendations for the best interest of the Company collectively;
 - iii. keep abreast of the latest corporate governance guidelines in relation to the Board as a whole; and
 - iv. continuously seek out best practices in terms of the processes utilised by the Board, following which these should be discussed with the rest of the Board for possible adoption.
- 4.14 The Board shall make necessary disclosures concerning the activities and operations of the Company pursuant to the Listing Requirements or as directed by the relevant authorities.

5.0 SECRETARY

- 5.1 The Secretary of the Board shall be the Company Secretary or such other person(s) appointed by the Board.
- 5.2 The Secretary shall record the proceedings and resolutions of all proceedings of the Board.
- 5.3 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.
- 5.4 The Company Secretary shall keep confidential the affairs of the Company and its officers at all times. Accordingly, where he/she 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 Company.

6.0 FREQUENCY OF MEETINGS

The Board shall meet regularly, not less than six times annually.



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7.0 QUORUM

The quorum for meetings shall be four (4) Directors. (As per Article 76 of the Company's Articles of Association)

8.0 BOARD AUTHORITY

In carrying out its duties and responsibilities, the Board shall have the following authorities:-

- 8.1 To seek any information, it requires from any employee of the Company in order to perform its duties;
- 8.2 To obtain or appoint, at the Company's expense, any professional advise including the advice of independent consultant and to secure the attendance of the external advisers at its meeting if it considers necessary to help it fulfil its obligations;
- 8.3 To have full and unrestricted access to the Company's records, properties and personnel; and
- 8.4 To delegate or form the following sub-committee or any other committee which the Board feels necessary:
 - (a) Audit Committee
 - (b) Nomination Committee
 - (c) Remuneration Committee
 - (d) Board Risk Committee
 - (e) Tender Committee
 - (f) Investment Committee
 - (g) Long Term Incentive Plan (LTIP) Committee

The Company may combine its Nomination Committee and Remuneration Committee.

- 8.4.1 Each Board Committee under Paragraphs 8.4(a) to (d) must –
 - have at least three directors;
 - have a majority of Independent Directors;
 - be chaired by an Independent Director; and
 - comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee.
- 8.4.2 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 except



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for the LTIP Committee where the Chairman of the Board maybe appointed as Chairman of the LTIP Committee.

- 8.4.3 All Board Committees must not have any Executive Director in its membership except for Tender Committee and Investment Committee where Executive Director or Senior Management may be appointed.
- 8.4.4 The Board remains fully accountable for any authority delegated to the Board Committees.
- 8.4.5 The areas of authority of the Board Committees are set out in their respective TOR. The Company must provide the Board Committees with sufficient support and resources required to investigate any matter within their mandates.

9.0 ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board has the overall responsibility of ensuring that STMKB operates as intended in the declared objectives of the Company and is responsible for the stewardship and oversight of the management of the Company's business and affairs. Its overriding objective is to increase stakeholders' value. Consequently, it has the power to decide on all matters pertaining to the Company's business as empowered by the Company's Constitution/Articles of Association, Companies Act 2016 and all relevant guidelines of BNM, Securities Commission and Main Market of Bursa Malaysia Securities Berhad's Listing Requirements, and if required, to delegate these powers accordingly. Some of the specific powers of the Board would include the following:

9.1 Business Direction/Operations/Finance

- 9.1.1 To establish and approve policies on the future direction of the Company within the general objective of attaining progress in its overall corporate missions which cover all aspects of operations, including strategic planning, credit administration and control, asset and liability management encompassing the management of liquidity risk, return on investment risk and market risk, accounting system and control, service quality, automation plan, prevention of money laundering, risk management, profit planning and budgeting, adequacy of capital, and human resource development;
- 9.1.2 To approve new investments, divestments and acquisitions, including the setting up of new subsidiaries/associated companies and the participation in new business activities locally or overseas;



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- 9.1.3 To review and approve the annual business plan and budget, and monitoring the quantitative and qualitative performance of STMKB, both at the Company and Group levels, against target and objectives;
- 9.1.4 To oversee all facets of the Company's operation from technical to investment are undertaken according to plans and guidelines;
- 9.1.5 To review the adequacy and integrity of the Company's accounting and financial reporting systems and ensure appropriate controls are in place; and
- 9.1.6 To ensure that the business operations of the Company are conducted in accordance with the Shariah principles.

9.2 Requirement under Authorities/Statutes

- 9.2.1 To consider and approve the quarterly and year-end financial statements and the interim dividend, if any, and recommend the final dividend to shareholders prior to public announcements and publications and press relating thereto;
- 9.2.2 To appoint or remove the Company Secretary/Joint Company Secretary/Assistant Company Secretary;
- 9.2.3 To make recommendation for approval of the shareholders the appointment or removal of Auditors, and to fix their remuneration; and
- 9.2.4 To consider and recommend such resolutions as required by Law or by the Memorandum to members in General Meeting.

9.3 Management/Human Resource

- 9.3.1 To approve the appointment and Terms and Conditions of Service of the Chief Executive Officer/Group Managing Director of the Company;
- 9.3.2 To approve the appointment and Terms and Conditions of Service of General Managers and above within the Company as well as the Appointed Actuary, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor;
- 9.3.3 To approve changes to the Corporate Organisation Structure of the Company;



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- 9.3.4 To approve the quantum and basis of bonus payments to the Management and staff of the Company; and
- 9.3.5 To approve policies pertaining to staff salary and benefits.
- 9.3.6 To review and approve Human Resource policy including but not limited to salary and remuneration scheme, code of conduct and disciplinary action procedures.

9.4 Board/Shariah Membership and Board Committees

- 9.4.1 To approve the appointment of the Board of Directors/Shariah Advisory Body of the Company (subject to the approval by BNM);
- 9.4.2 To approve Directors/Shariah emoluments and benefits for the Non-Executive Directors/Shariah of the Company as authorised by statutes; and
- 9.4.3 To appoint Committees of the Board and to delegate any of its powers to such Committees as they shall from time to time deemed fit operating within clearly defined terms of reference.
- 9.4.4 To review key executive and Board remuneration and ensuring a formal and transparent Board nomination and remuneration process.

9.5 Administrative

- 9.5.1 To approve the renewal of the tenure of the Chairman and Members of the Board/Shariah/Chief Executive Officer/Group Managing Director subject to the Constitution/Articles of the Company and BNM's guidelines;
- 9.5.2 To approve policies pertaining to the Company's Corporate Image and Community Relations;
- 9.5.3 To exercise all the powers of the Company in relation to any official seal; and
- 9.5.4 To approve all transactions within its authorisation limit.

9.6 Principal Responsibilities under Corporate Governance (including Risk Management and Compliance)

- 9.6.1 Reviewing and adopting a strategic plan for the Company;



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- 9.6.2 Overseeing the conduct of the Company's business by way of evaluating as to whether the business is being properly managed;
- 9.6.3 Identifying principal risks and ensuring appropriate systems be in placed to manage these risks;
- 9.6.4 Reviewing and approving risk management policies and ensure that the Company establishes adequate internal controls and infrastructure.
- 9.6.5 Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacement of Management;
- 9.6.6 Developing and implementing an investor relations programme or shareholders' communication policy for the Company;
- 9.6.7 Promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- 9.6.8 Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- 9.6.9 Reviewing relevant reports or proposals to ensure operations of the Company are in compliance with the security laws, the Companies Act 2016, Listing Requirements and the Constitution/Articles of Association of the Company and any regulations and guidelines under the relevant laws.

9.7 Internal Audit Function

- 9.7.1 The Board should establish an internal audit function which reports directly to the Audit Committee.
 - 9.7.2 Subject to the recommendation by Audit Committee, to approve or terminate the appointment of Chief Internal Auditor. The Chief Internal Auditor shall report directly to the Audit Committee.
- 9.8 The Board shall also have the authority to review and approve such other matters as determined by the Board of Directors of the Company, from time to time.



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9.9 Board's responsibility delegated to Management

To operate effectively in an effective environment, the Board's responsibilities are delegated to the Management of the Company headed by the Group Managing Director/Chief Executive Officer. The Management through the Management Committee/Managing Director/Chief Executive Officer is responsible for broad aspects of the day-to-day operations of the Company including financial stewardship and compliance to laws, regulations, policies and procedures. In this regard, Management is accountable to the Board for the overall functions and activities of the Company amongst others the implementation of the policies and strategies as approved by the Board, always in line with Shariah principles and guided by regulatory requirement as well as industry best practices.

10.0 CONFLICTS OF INTEREST

- 10.1 Section 67 of the IFSA require 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.
- 10.2 For the purpose of section 67(4) of the IFSA, BNM specifies the following:
- (a) an existing or proposed transaction or arrangement will be considered "material" if it is one which a Director is required to declare under section 131 of the Companies Act 1965, unless the Director or any person linked to him 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
 - (b) an interested Director must make the disclosure by way of a written notice to all members of the Board and the Company Secretary–
 - (i) as soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
 - (ii) if the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.

11.0 INVITEES

Subject to the Chairman's consent and with the advice from the Group Managing Director/Chief Executive Officer, the Management or any other persons shall be invited to attend the meeting as and when required.



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12.0 ALTERATION

- 12.1 The Directors may review the TOR/Charter from time to time or as and when deemed necessary.
- 12.2 Any alteration or amendments to this TOR/Charter, as proposed to the Board or any third party, shall first be presented to the Board for its approval.
- 12.3 Upon the Board's approval, the said alteration or amendments shall form part of this TOR/Charter and this TOR/Charter shall be considered duly revised or amended.

Dated this 1st day of June 2018