



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER**

**1.0 OBJECTIVES**

- 1.1 The objective of this 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 Am Berhad (“STMAB” or the “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.

**2.0 COMPOSITION OF THE BOARD OF DIRECTORS**

- 2.1 Minimum of two (2) Directors and a maximum of eight (8) Directors. (As per Rule 71 of the Company’s Constitution).
- 2.2 The members shall be formally appointed by the Board subject to obtaining the necessary approval from Bank Negara Malaysia (“BNM”).
- 2.3 The Board must have a majority of independent directors at all times.
- 2.4 The tenure of an Independent Director should not exceed a term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should provide justification and seek annual shareholders’ approval through a two-tier voting process.
- 2.5 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.
- 2.6 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 (2) 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 (2) years.
- 2.7 The Board shall not have more than one (1) Executive Director, unless approved in writing by BNM.
- 2.8 To ensure that group interests are appropriately balanced against the fiduciary and statutory duties that Directors owe towards each legal entity



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

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.

- 2.9 Appointment of Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

**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 (5) years. The positions of Chairman and Chief Executive Officer must 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;
- 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 should set the Board meeting agenda and ensure reasonable time for discussion during the Board meetings. Organises and leads the agenda for Board meetings based on input from Directors/Group Managing Director and ensure that all relevant issues are on the agenda. In addition, the Chairman should and 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.
- 3.2.8 to manage interface between Board and Management.

- 3.3 In the absence of the Chairman, the Board during its meeting can elect from amongst themselves as the Chairman for the meeting, whom must be an Independent Director.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

**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 and Remuneration 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 five (5) 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 three (3) 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 above at least annually, and as and when the 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



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

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.

- 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 requirements of relevant regulatory authorities.
- 4.15 Under the Directors’ and Officer’ Liability Insurance, the Group will provide Directors with insurance coverage whilst acting in their capacity as members of the Board. The Directors will be required to pay a portion of the contribution, the sum of which would be recommended by the Management.

**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 Company and the Board.
- 5.3 The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging the 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.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

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/the Board.

**6.0 SENIOR MANAGEMENT/CHIEF EXECUTIVE OFFICER**

*Senior Management refers to General Manager position and above including Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Appointed Actuary and such other designation as determined by the Board from time to time.*

*\* Denotes positions which are outsourced to the holding company, STMKB.*

6.1 Chief Executive Officer (“CEO”) is responsible over the day-to-day management of the Company with guidance from Group CEO of the holding Company, Syarikat Takaful Malaysia Keluarga Berhad (“STMKB”). The responsibilities of the senior management includes the following:-

- (i) Implementing business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- (ii) Establishing a management culture that promotes accountability and transparency throughout the Company operations and preserves the effectiveness and independence of control functions;
- (iii) Promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (iv) Addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- (v) Regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to:-
  - (a) Performance, financial condition and operating environment of financial institution;
  - (b) Internal control failures, including breaches of risk limits; and
  - (c) Legal and regulatory obligations including supervisory concerns and the remedial actions taken to address them.

6.2 A member of the senior management must fulfil the minimum requirements set out below:-

- (i) Must not be disqualified under section 59(1) of the FSA or section 68(1) of the IFSA and must have been assessed to have complied with the fit and proper requirements.
- (ii) A substantial shareholder must not hold a senior management position.
- (iii) A CEO must devote his entire professional time to service the Company unless the BNM approves otherwise in writing.

6.3 The Company must have a robust succession plan.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

- 6.4 The Company must not make an application to BNM to appoint or reappoint the CEO unless the Board is wholly satisfied with the appointment or reappointment.
- 6.5 The Company must not publicly announce the proposed appointment of CEO unless the written approval of BNM has been obtained. CEO whose tenure has expired and is being proposed for reappointment must cease to hold office until his/her reappointment is approved by BNM.

**7.0 MEETINGS**

- 7.1 The Board shall meet every quarter with additional meetings convened as and when urgent issues and/or important decisions are required to be addressed between the scheduled meeting upon discretion of the Chairman.
- 7.2 The Board meeting may be held either:-
- (a) By a number of members who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
  - (b) By means of audio, or audio and visual, communication by which all members participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 7.3 The quorum for meeting shall be at least half of the Board of Directors for the time being. A Director interested in a contract or arrangement shall not be counted for the purpose of determining a quorum (as per Rule 81(a) of the Company’s Constitution).
- 7.4 Participation by a person in a meeting by means of audio, or audio and visual, communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he/she is not physically present at the venue where the meeting is to be held.
- 7.5 The notice of meeting shall:-
- (a) be in writing given to the members either in hardcopy or transmitted to the electronic address via electronic form;
  - (b) specify the place, day and hour of the meeting; and
  - (c) be given at least seven (7) days before the meeting schedule to be held.
- 7.6 The Secretary shall minute the proceedings and resolutions of all meetings. The minutes must record decisions of the Board, including key deliberations, rationale for decision made and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself/herself from deliberating on a particular matter.
- 7.7 Subject to Chairman’s consent and with the advice from the CEO of the Company, the Management or any other persons shall be invited to attend the meeting as and when required.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

**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 in fulfilling 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 (“AC”)
  - (b) Board Risk Committee (“BRC”)
  - (c) Nomination and Remuneration Committee (“NRC”)

The Terms of Reference of AC, BRC and NRC are attached as Appendix 1, 2 and 3 respectively.

- 8.4.1 Each Board Committee under Paragraphs 8.4(a) to (c) must –
  - have at least three (3) 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.
- 8.4.3 All Board Committees must not have any Executive Director in its membership.
- 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.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

**9.0 ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

The Board has the overall responsibility of ensuring that STMAB 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, Companies Act 2016 and all relevant guidelines of BNM, 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;
- 9.1.3 To review and approve the annual business plan and budget, and monitoring the quantitative and qualitative performance of the Company, 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 year-end financial statements and the interim dividend, if any, and recommend the final dividend to shareholders;
- 9.2.2 To appoint or remove the Company Secretary/Joint Company Secretary/Assistant Company Secretary;





**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

9.2.3 To make recommendation for approval of the shareholders on the re-appointment or removal of External Auditors, and to fix their remuneration; and

9.2.4 To consider and recommend such resolutions as required by Law or by the Company’s Constitution 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 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;

9.3.4 To approve the quantum and basis of bonus payments to the Management and staff of the Company;

9.3.5 To approve policies pertaining to staff salary and benefits; and

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, Board Committees and SAB**

9.4.1 To approve the appointment of the Directors of the Company (subject to the approval by BNM);

9.4.2 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; and

9.4.3 To review the Board and Senior Management 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/Chief Executive Officer subject to the Constitution of the Company and BNM’s guidelines;

9.5.2 To approve policies pertaining to the Company’s Corporate Image and Community Relations;



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

- 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;
  - 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, the Company’s Constitution and any regulations and guidelines under the relevant laws.
  - 9.6.10 The Board together with the Management takes responsibility for the governance of sustainability in the Company including setting the Company’s sustainability strategies, priorities and targets.
- 9.7 **Principal Responsibilities under Shariah Governance**

*The Company shares SAB of STMKB as approved by BNM in its letter dated 28 February 2018. The Company outsourced Shariah function to STMKB.*



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

- 9.7.1 Institutionalise a robust Shariah governance framework which commensurate with the size, complexity and nature of the Company’s business.
- 9.7.2 Oversight accountability of Shariah governance considerations within the business and risk strategies of the Company.
- 9.7.3 Promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to end compliance with Shariah.
- 9.7.4 Continuously develop and strengthen knowledge and understanding on Islamic Financing, as well as keep abreast with developments that may impact Islamic financial business.
- 9.7.5 Having due regard to any decision or advice of Shariah Advisory Body (“SAB”) on any Shariah issues relating to the operations, business, affairs or activities of the Company. This includes the following:-
- (a) Give sufficient attention to facts, rational and basis for any decisions or advice of SAB before arriving at its own decision.
  - (b) Give fair consideration to implications of implementing any decisions or advice of SAB.
  - (c) Put in place conflict resolution mechanism to deal with any differences in views between the Board and SAB.
  - (d) Maintain record of deliberations between the Board and SAB in matters where the differences in views exists, and its resolution.
- 9.8 **Internal Audit Function**
- 9.8.1 The Board should establish an internal audit function which reports directly to the Audit Committee.
- 9.8.2 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.
- 9.9 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.
- 9.10 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 Chief Executive Officer. The Management through the Management Committee/Chief Executive Officer is responsible for broad aspects of the



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

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 221 of the Companies Act 2016, 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 EVALUATION**

The Board must carry out annual board evaluations to objectively assess the performance and effectiveness of the Board, the board committees and individual directors. This is important to enable the board to identify areas for professional development and process improvements, having regard to the changing needs of the Company.

**12.0 REVIEW OF TERMS OF REFERENCE/BOARD CHARTER**

- 12.1 The Directors may review TOR/Board Charter from time to time or as and when deemed necessary.
- 12.2 Any alteration or amendments to this TOR/ Board 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/Board Charter shall be considered duly revised or amended.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
[201701032316 (1246486-D)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF BOARD OF DIRECTORS (“TOR”)/BOARD CHARTER-  
CONT’D**

- 12.4 The Policies and activities of the Company shall be subject to the TOR, framework and policies set by the holding company, Syarikat Takaful Malaysia Keluarga Berhad.

*This is to ensure alignment with, and is reflective of the Group practice.*

Dated this 21<sup>st</sup> day of October 2021



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
 (201701032316 [1246486-D])  
 (Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1.0 OBJECTIVES**

The primary objective of the Audit Committee (“AC”) is to provide an independent oversight of Syarikat Takaful Malaysia Am Berhad’s (“STMAB” or the “Company”) financial reporting and internal control system and ensuring checks and balances within STMAB.

**2.0 AUTHORITIES**

AC shall, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (i) Have authority to investigate any matter within its terms of reference.
- (ii) Have the resources as well as full and unrestricted access to all information which are required to perform its duties.
- (iii) Have direct communication channels and be able to convene meetings with Internal Auditors, External Auditors or both without the attendance of Executive Directors and Management, whenever deemed necessary.
- (iv) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.

**3.0 DUTIES AND RESPONSIBILITIES**

In fulfilling its primary objectives, AC shall undertake the following duties and responsibilities:-

- (i) Support the Board in ensuring that there is a reliable and transparent financial reporting process within STMAB.
- (ii) Oversee effectiveness of internal audit function of STMAB including the following:-
  - (a) to review adequacy of internal audit scope and plan, functions, competency and resources of internal audit functions and that it has the necessary authority to carry out its work.
  - (b) to review internal audit programme, processes, results of internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on recommendations of internal auditors.
  - (c) to review assistance given by the Group’s employees to auditors, and any difficulties encountered in course of audit work, including any restrictions on scope of activities or access to required information.
  - (d) to review Internal Audit Charter, budget and staffing of Internal Audit Division, which report directly to AC, and ensure that activities are effective and able to function independently.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AC (CONT'D)**

- (e) to take cognisance of resignation of internal audit staff members and provide resigning staff member an opportunity to submit his reasons for resigning.
  - (f) to be consulted on appointment or termination of Head of IA.
  - (g) to review internal controls, including scope of internal audit governance, procedures, findings, and recommend action to be taken by the Management.
  - (h) to review any appraisal or assessment of the performance of members of the internal audit function and the performance of the Head of IA.
  - (i) to review key audit reports and ensuring 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 the internal audit and other control functions.
  - (j) to note significant disagreements between Chief Internal Auditor/Head of Internal Audit and the rest of the Management, irrespective of whether these have been resolved, in order to identify any impact, disagreements may have on the audit process or findings.
- (iii) Foster a quality audit of STMAB by exercising oversight over the external auditor, in accordance with the expectations set out in the Bank Negara Malaysia Guidelines on *External Auditor* including the following:-
- (a) to review with external auditor and report to the Board, audit scope and plan, including any changes to planned scope of audit plan and evaluation of internal control system.
  - (b) to review independence and objectivity of external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money and this will include to consider the information presented in the Annual Transparency Report by the *external* auditors.
  - (c) to review appointment, performance, audit fees and any question regarding the resignation or dismissal of external auditors before making recommendations to the Board.
  - (d) to review and further approve non-audit services rendered by external auditor and its affiliates while taking into account the nature and extent of non-audit services and appropriateness of the level of fees.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AC (CONT'D)**

- (e) to review whether there is a reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
  - (f) to discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of the Management where necessary).
  - (g) to monitor and assess effectiveness of the external audit, including meeting with external auditor without the presence of the Management at least annually. Feedback will be shared with Management for improvements/ changes/ notifications, where necessary and appropriate.
  - (h) to obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement.
- (iv) Both Internal Auditors and External Auditors
- (a) to review external and internal audit reports to ensure that appropriate and prompt remedial action is taken by the Management on major deficiencies in controls or procedures that are identified and reported to the Board.
  - (b) to review major audit findings and the Management's response during the year with the Management, external auditors and internal auditors, including status of previous audit recommendations.
- (v) Financial Reporting
- (a) to review interim financial reports/quarterly and year-end financial statements, before approval by the Board, focusing particularly on:-
    - changes in or implementation of major accounting policy and practice;
    - significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions and how these matters are addressed; and
    - compliance with accounting standards, and other legal requirements.
  - (b) to review the Company's quarterly results and year end financial statements before submission to the Board.
  - (c) to review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question of management integrity.





**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AC (CONT'D)**

- (vi) To ensure effectiveness of internal technology audit function, among others, as follows:-
- (a) To ensure adequate competence of audit staff to perform technology audits and ensure audit staff are professionally certified and adequately conversant with developing sophistication of the Company's technology systems and delivery channels.
  - (b) To review and ensure appropriate audit scope, procedures and frequency of technology audits.  
  
The scope, frequency and intensity of technology audits commensurate with the complexity, sophistication and criticality of technology systems and application.
  - (c) To ensure effective oversight over prompt closure of corrective actions to address technology control gaps.
  - (d) To establish a technology audit plan that provides appropriate coverage of critical technology services, third party service providers, material external system interfaces, delayed or prematurely terminated critical technology projects and post implementation review of new or material enhancements of technology services.
- (vi) Others
- (a) To review third-party opinions on the design and effectiveness of STMAB's internal control framework.
  - (b) to direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation report on any major defalcation, frauds and thefts.
  - (c) To assess internal process for determining and managing key risks and thereafter to report verbally or in writing during the Board meeting.
  - (d) to ensure that supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner.
  - (e) to perform any other functions as may be agreed by the Board.

**4.0 COMPOSITION**

- 4.1 AC shall consist of at least three (3) Non-Executive Directors with a majority of them being Independent Directors.
- 4.2 At least one (1) member of AC must be a member of the Malaysian Institute of Accountants (MIA); or if he is not a member of MIA, he must have at least three (3) year's working experience and passed the examinations specified in Part I



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AC (CONT'D)**

of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or is a member of one (1) of associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

- 4.3 In the event of any vacancy in the AC resulting in the non-compliance of paragraphs 4.1, 4.2 and 5.0, the Company must fill the vacancy within three (3) months.
- 4.4 In the event a former key audit partner is appointed as an AC member, the said key audit partner shall observe a cooling-off period of at least three (3) years before the appointment date.
- 4.5 No change or addition shall be made to the composition of AC without the approval of the Board after taking into consideration the recommendations of Nomination and Remuneration Committee. An Executive Director shall not, at any time, be a member of AC.
- 4.6 A member of AC shall abstain from participating in discussions and decisions on matters directly involving him/her in order to avoid conflicts of interest.

**5.0 CHAIRMAN**

The Chairman of the AC must be an independent Director and cannot be the Chairman of the Board.

**6.0 SECRETARY**

The Secretary of the AC shall be the Company Secretary of the Company or such other person(s) appointed by the Board.

**7.0 MEETINGS**

- 7.1 AC shall meet quarterly at a minimum, together for despatch of business, adjourn and otherwise regulate their meetings. The Chairman may call for additional meetings at any time upon his discretion.
- 7.2 Upon the request of any member of AC, Chief Internal Auditor/Head of Internal Audit or External Auditor, the Chairman of AC shall convene a special meeting to consider any matters.
- 7.3 A meeting of the AC may be held either:-
  - (a) by a number of AC members who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
  - (b) by means of audio, or audio and visual, communication by which all AC members participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 7.4 The quorum for AC meeting shall be two (2) members with Independent Directors forming the majority. Participation by a person in a meeting by means of audio, or audio and visual, communication facilities shall be treated as



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AC (CONT'D)**

presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he/she is not physically present at the venue where the meeting is to be held.

- 7.5 The notice of meeting shall:-
- (a) be in writing given to the members either in hardcopy or transmitted to the electronic address via electronic form;
  - (b) specify the place, day and hour of the meeting; and
  - (c) be given at least seven (7) days before the meeting schedule to be held.
- 7.6 In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the meeting, who must be an Independent Director.
- 7.7 The Secretary shall minute the proceedings and resolutions of all meetings of AC. The minutes must record decisions of AC, including key deliberations, rationale for decision made and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself/herself from deliberating on a particular matter.
- 7.8 Minutes of meetings shall be submitted to the Board for notification.

**8.0 CIRCULAR RESOLUTIONS**

- 8.1 A resolution in writing signed 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 duly called and constituted.
- 8.2 Any such resolution may consist of several documents in like form each signed by one or more AC members.
- 8.3 All decisions and/or approvals made via circular resolution shall be presented at the subsequent AC meeting for notation.

**9.0 REPORTING**

- 9.1 The AC shall report to the Board of Directors either in writing or verbally, as it considers appropriate on the matters within its terms of reference.

**10.0 REVIEW OF TERMS OF REFERENCE**

- 10.1 Terms of Reference shall be reviewed and updated from time to time as and when required.
- 10.2 The policies and activities of the Company shall be subject to Terms of Reference, framework and policies set by the holding company, Syarikat Takaful Malaysia Keluarga Berhad.

*This is to ensure alignment with, and is reflective of the Group practice.*

Dated this 21<sup>st</sup> day of October 2021



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
 (201701032316 [1246486-D])  
 Incorporated in Malaysia

<b>TERMS OF REFERENCE OF BOARD RISK COMMITTEE</b>
---

## **1.0 OBJECTIVES**

The primary objective of Board Risk Committee (“BRC”) is to support the Board in meeting the expectations on risk management as set out by Bank Negara Malaysia (“BNM”) and oversee the Senior Management’s activities in managing the key risk areas of the Company and ensure that an appropriate risk management process is in place and functioning effectively.

## **2.0 AUTHORITIES**

BRC shall have the authority to deliberate and approve on matters within its primary duties and responsibilities as may be determined by the Board from time to time. In the discharge of its duties and responsibilities, BRC shall:-

- (i) Have the resources as well as full and unrestricted access to any information which are required to perform its duties.
- (ii) Have access to advice and services of any officers of Risk Management Division and other relevant officers of the Company.
- (iii) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.

## **3.0 DUTIES AND RESPONSIBILITIES**

In fulfilling its primary objectives, BRC shall undertake the following duties and responsibilities:-

- (i) To support the Board in meeting the expectations on risk management as set out in BNM’s policy document on Risk Governance, including the following:-
  - (a) To regularly obtain information from the Senior Management on adherence to the Company’s risk appetite and implementation of risk management policies, processes, and controls within the Company in managing the key risks to the Company as well as emerging risks. This should be supported by independent assessments by risk management and control functions.
  - (b) To provide constructive challenge to the Senior Management and critically review the risk information and developments affecting the Company.
  - (c) To meet periodically to ensure effective exchange of information so as to enable effective coverage of all risk, including emerging risk issues that could have an impact on the Company’s risk appetite and business plans.
  - (d) To have means and ability to seek independent third party views or information on risk implication as appropriate before coming to any conclusion or making any significant policy decisions. This should



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
Incorporated in Malaysia

**TERMS OF REFERENCE OF BOARD RISK COMMITTEE (CONT'D)**

serve to promote informed and robust decision-making by the Board in a manner that complements and adds value to works of the Senior Management.

- (e) To be actively involved in performance review of individuals primarily responsible for the control functions.
- (ii) In assisting the implementation of a sound remuneration system, to examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and likelihood and timing of earnings, without prejudice to the tasks of the Board Nomination and Remuneration Committee.
- (iii) To review and recommend risk management strategies, policies and risk appetite and tolerance levels for the Board's approval.
- (iv) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well the extent to which these are operating effectively.
- (v) To ensure that adequate infrastructure, resources and systems are in place for effective risk management, e.g. ensuring that staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities.
- (vi) To review the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- (vii) To oversee Internal Capital Adequacy Assessment Process ("ICAAP") by:-
  - (a) ensuring that all relevant risks have been captured and the Company has sufficient capital resources in place;
  - (b) ensuring that the impact of any material event has been incorporated; and
  - (c) ensuring adequacy of capital management framework and policies in line with capital strategy and regulatory requirements.
- (viii) To review and recommend to the Board, business proposals or strategies.
- (ix) To approve contingency plans for managing various extreme internal/external events and disasters.

Risk Management in Technology ("RMiT")

- (x) To support the Board in providing oversight over technology-related matters, among others, as follows:-



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
Incorporated in Malaysia

**TERMS OF REFERENCE OF BOARD RISK COMMITTEE (CONT'D)**

- (a) To review and recommend to the Board on technology-related frameworks including the requirements as spelt out as follows:-
- i. The Board must establish and approve technology risk appetite which is aligned with the financial institution's risk appetite statement. In doing so, the Board must approve corresponding risk tolerances for technology-related events and ensure that key performance indicators and forward-looking risk indicators are in place to monitor the financial institution's technology risk against its approved risk tolerance. The Board must ensure that the Senior Management provides regular updates on status of these indicators together with sufficiently detailed information on key technology risks and critical technology operations to facilitate strategic decision-making.
  - ii. The Board must ensure and oversee adequacy of the financial institution's IT and cybersecurity strategic plans covering a period of no less than three (3) years. These plans shall address the financial institution's requirements on infrastructure, control measures to mitigate IT and cyber risk and financial and non-financial resources, which commensurate with complexity of the financial institution's operations and changes in risk profile as well as business environment. These plans shall be periodically reviewed, at least once every three (3) years.
  - iii. The Board shall be responsible to oversee effective implementation of a sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF"), ensure continuity of operations and delivery of financial services. TRMF is a framework to safeguard the financial institution's information infrastructure, systems and data, whilst CRF is a framework to ensure the financial institution's cyber resilience. The Board must ensure that the financial institution's TRMF and CRF remain relevant on on-going basis. The Board must also periodically review and affirm TRMF and CRF, at least once every three (3) years to guide the financial institution's management of technology risks.
- (b) To ensure that risk assessments undertaken in relation to material technology applications submitted to the Bank are robust and comprehensive.

Technology Operations Management

- (xi) To review reports on management of risks in relation to Technology Operations Management on on-going basis throughout implementation of significant projects.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
Incorporated in Malaysia

**TERMS OF REFERENCE OF BOARD RISK COMMITTEE (CONT'D)**

**4.0 COMPOSITION**

- 4.1 The BRC shall consist of at least three (3) Non-Executive Directors, a majority of whom are Independent Directors.
- 4.2 The BRC shall comprise directors who have skills, knowledge and experience relevant to the responsibilities of BRC.
- 4.3 A member of BRC shall abstain from participating in discussions and decisions on matters directly involving him/her in order to avoid conflict of interest.

**5.0 CHAIRMAN**

The Chairman of BRC must be an Independent Non-Executive Director and cannot be the Chairman of the Board.

**6.0 SECRETARY**

The Secretary of BRC shall be the Company Secretary of the Company or such other person(s) appointed by the Board.

**7.0 MEETINGS**

- 7.1 BRC shall meet quarterly at a minimum, together for despatch of business, adjourn and otherwise regulate their meetings. The Chairman may call for additional meetings at any time upon his discretion.
- 7.2 BRC may invite other Directors, employee or advisor to attend BRC meeting (or any part of it) as it may deem fit.
- 7.3 A meeting of BRC may be held either:-
  - (a) By a number of BRC members who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
  - (b) By means of audio, or audio and visual, communication by which all BRC members participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 7.4 The quorum for BRC meeting shall be two (2) members with Independent Directors forming the majority. Participation by a person in a meeting by means of audio, or audio and visual, communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he/she is not physically present at the venue where the meeting is to be held.
- 7.5 The notice of meeting shall:-



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
Incorporated in Malaysia

**TERMS OF REFERENCE OF BOARD RISK COMMITTEE (CONT'D)**

- (a) Be in writing given to the members either in hardcopy or transmitted to the electronic address via electronic form;
- (b) Specify the place, day and hour of the meeting; and
- (c) Be given at least seven (7) days before the meeting scheduled to be held.

7.6 In the absence of the Chairman, the members can elect from amongst themselves the Chairman for meeting, who must be an Independent Director.

7.7 The Secretary shall minute the proceedings and resolutions of all meetings of BRC. The minutes must record the decisions of BRC, including key deliberations, rationale for decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself/herself from deliberating on a particular matter.

7.8 Minutes of meetings shall be submitted to the Board for notification.

**8.0 CIRCULAR RESOLUTIONS**

8.1 A resolution in writing signed by all BRC members for the time being present in Malaysia shall be as valid and effectual as if it had been passed at a meeting of BRC duly called and constituted.

8.2 Any such resolution may consist of several documents in like form each signed by one or more BRC members.

8.3 All decisions and/or approvals made via circular resolution shall be presented at the subsequent BRC meeting for notation.

**9.0 REPORTING**

BRC shall report to the Board either in writing or verbally, as it considers appropriate on the matters within its Terms of Reference.

**10.0 REVIEW OF TERMS OF REFERENCE**

(i) Terms of Reference shall be reviewed and updated from time to time as and when required.

(ii) The policies and activities of the Company shall be subject to Terms of Reference, framework and policies as set by the holding company, Syarikat Takaful Malaysia Keluarga Berhad.

*This is to ensure alignment with, and is reflective of the Group's practice.*

Dated this 21<sup>st</sup> day of October 2021





**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE (“NRC”)**

**1.0 OBJECTIVES**

The primary objectives of NRC are as follows:-

- (i) Support the Board in carrying out its functions in the following matters concerning the Board, the Senior Management and Company Secretary:-
  - (a) appointments and removals;
  - (b) composition;
  - (c) performance evaluation and development; and
  - (d) fit and proper assessments.

*Senior Management refers to General Manager position and above including Chief Executive Officer, Chief Financial Officer\*, Chief Risk Officer\*, Chief Compliance Officer\*, Appointed Actuary and such other designation as determined by the Board from time to time.*

*\* Denotes positions which are outsourced to the holding company, Syarikat Takaful Malaysia Keluarga Berhad (“STMKB”).*

- (ii) Support the Board in actively overseeing the design and operation of the Company’s remuneration system.
- (iii) Periodically review the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director’s contribution, taking into account the level of expertise, commitment and responsibilities undertaken as per Non Executive Directors’ Remuneration Policy of Takaful Malaysia.
- (iv) Should ensure that the composition of the Board is refreshed periodically. The tenure of each Director should be reviewed by NRC and annual re-election of a Director should be contingent on satisfactory evaluation of the Director’s performance and contribution to the Board.

**2.0 AUTHORITIES**

NRC shall have authority to deliberate and approve on matters within its primary duties and responsibilities as may be determined by Board from time to time. In the discharge of its duties and responsibilities, NRC shall:-

- (i) Have resources as well as full and unrestricted access to any information which are required to perform its duties.
- (ii) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.
- (iii) Have access to advice and services of the Company Secretary.



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE NRC (CONT'D)

**3.0 DUTIES AND RESPONSIBILITIES**

In fulfilling its primary objectives, NRC shall undertake the following duties and responsibilities:-

**Nomination**

- (i) Establish minimum requirements for the Board and Chief Executive Officer to perform their responsibilities effectively. NRC is also responsible for overseeing overall composition of the Board in terms of:-
  - (a) The appropriate size and mix of skills;
  - (b) The balance between Executive Directors, Non-Executive Directors and Independent Directors; and
  - (c) Other core competencies required, through annual review, etc.
- (ii) Recommend and assess nominees for Directorship, Directors to fill Board Committees, as well as nominees for the Chief Executive Officer, and Senior Management's position including assessing Directors and Chief Executive Officer proposed for re-appointment before an application for approval is submitted to Bank Negara Malaysia;
- (iii) Establish mechanism for formal assessment and assessing on an annual basis:-
  - (a) The effectiveness of the Board as a whole;
  - (b) The contribution by each Director to effectiveness of the Board;
  - (c) The contribution of the Board's various Committees;
  - (d) The performance of the Chief Executive Officer; and

The assessments will also include ascertaining that the Director is not disqualified under the relevant law and fulfills the 'fit and proper' criteria. For this purpose, the Company may require the directors to make an annual declaration, using a standard format, that they are not disqualified under the relevant law and fulfil the 'fit and proper' criteria;

- (iv) Recommend to Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;
- (v) Establish a mechanism for engagement and formal assessment on annual basis the services rendered by the Shariah Advisory Board for due consideration of STMKB;
- (vi) Ensure that all Directors undergo appropriate induction programme and receive continuous training;
- (vii) Oversee appointment, management succession planning and performance evaluation of the Senior Management and recommending to the Board the removal of the Senior Management if they are ineffective, errant or negligent in discharging their responsibilities;
- (viii) In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing Directors, management or major shareholders. The Board utilises independent sources to identify suitably



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF THE NRC (CONT'D)**

qualified candidates. If the selection of candidates was based on recommendations made by existing Directors, management or major shareholders, the NRC should explain why these source(s) suffice and other sources were not used.

- (ix) The procedures for appointment and assessment of Director must be approved by the Board and disclosed to shareholder of the Company. NRC should not be delegated with decision-making powers but should report its recommendations to the Board for decision.

**Remuneration**

- (i) Recommend a framework for the remuneration of Directors, Chief Executive Officer, and Senior Management. The remuneration policy should:-
  - (a) Be documented and approved by the Board and any changes thereto should be subject to endorsement of the Board;
  - (b) Reflect the experience and level of responsibility borne by the individual directors, Chief Executive Officer and the Senior Management;
  - (c) Be sufficient to attract and retain Directors, Chief Executive Officer and the Senior Management of calibre needed to manage the Company successfully; and
  - (d) Be balanced against the need to ensure that funds of the Company do not subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.
- (ii) Recommend specific remuneration packages for Directors, Chief Executive Officer and the Senior Management. The remuneration packages should:-
  - (a) Be based on an objective consideration and approved by the Board;
  - (b) Take due consideration of assessments of the Nomination Committee of effectiveness and contribution of the Director, Chief Executive Officer and the Senior Management concerned;
  - (c) Not be decided by exercise of sole discretion of any one (1) individual or restricted group of individuals; and
  - (d) Be competitive and is consistent with the Company's culture, objective and strategy.
- (iii) The remuneration packages for the Executive Directors should be structured to link rewards to corporate and individual performances to encourage high performance standards while at the same time is aligned with prudent risk-taking. However, the rewards-to-performance linkages should not create incentives for irresponsible behaviour and insider excesses. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. Non-Executive Chairman should not expect executive pay.
- (iv) The remuneration of Chief Executive Officer, should not be out of line with the scale of business operations and activities of the Company. The Chief Executive Officer should not avail himself of self-serving remuneration with excessive bonuses and fringe benefits relative to the profits and operations of the Company. The entitlement of the Chief Executive Officer to receive



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF THE NRC (CONT'D)**

director's fees from subsidiaries of the Company in which he is a director should be nominal and not excessive.

NRC shall also undertake such other duties and responsibilities as determined by the Board of the Company.

**4.0 COMPOSITION**

- 4.1 NRC shall consist of at least three (3) Non-Executive Directors, a majority of whom are Independent Directors.
- 4.2 NRC shall comprise directors who have the skills, knowledge and experience relevant to the responsibilities of NRC.
- 4.3 A member of NRC shall abstain from participating in discussions and decisions on matters directly involving him/her in order to avoid conflicts of interest.

**5.0 CHAIRMAN**

The Chairman of NRC must be an Independent Non-Executive Director or Senior Independent Non-Executive Director and cannot be the Chairman of the Board.

**6.0 SECRETARY**

The Secretary of NRC shall be the Company Secretary of the Company or such other person(s) appointed by the Board.

**7.0 MEETINGS**

- 7.1 NRC may meet regularly as and when required, together for the despatch of business, adjourn and otherwise regulate their meetings. The Chairman may call for additional meetings at any time upon his discretion.
- 7.2 NRC may invite other Directors, employee or advisor to attend the NRC meeting (or any part of it) as it may deem fit.
- 7.3 A meeting of the NRC may be held either:-
  - (a) by a number of the NRC members who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
  - (b) by means of audio, or audio and visual, communication by which all NRC members participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 7.4 The quorum for the NRC meeting shall be two (2) members with Independent Directors forming the majority. Participation by a person in a meeting by means of audio, or audio and visual, communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he/she is not physically present at the venue where the meeting is to be held.
- 7.5 The notice of meeting shall:-



**TAKAFULmalaysia**  
**SYARIKAT TAKAFUL MALAYSIA AM BERHAD**  
(201701032316 [1246486-D])  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF THE NRC (CONT'D)**

- (a) be in writing given to the members either in hardcopy or transmitted to the electronic address via electronic form;
  - (b) specify the place, day and hour of the meeting; and
  - (c) be given at least seven (7) days before the meeting schedule to be held.
- 7.6 In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting, who must be an Independent Director.
- 7.7 The Secretary shall minute proceedings and resolutions of all meetings of NRC. The minutes must record decisions of NRC, including key deliberations, rationale for decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself/herself from deliberating on a particular matter.
- 7.8 Minutes of meetings shall be submitted to the Board for notification.

**8.0 CIRCULAR RESOLUTIONS**

- 8.1 A resolution in writing signed by all NRC members for the time being present in Malaysia shall be as valid and effectual as if it had been passed at a meeting of the NRC duly called and constituted.
- 8.2 Any such resolution may consist of several documents in like form each signed by one or more NRC members.
- 8.3 All decisions and/or approvals made via circular resolution shall be presented at the subsequent NRC meeting for notation.

**9.0 REPORTING**

NRC shall report to the Board either in writing or verbally, as it considers appropriate on the matters within its terms of reference.

**10.0 REVIEW OF TERMS OF REFERENCE**

- (i) Terms of Reference shall be reviewed and updated from time to time as and when required.
- (ii) The policies and activities of the Company shall be subject to Terms of Reference, framework and policies as set by the holding company, Syarikat Takaful Malaysia Keluarga Berhad.

*This is to ensure alignment with, and is reflective of the Group practice.*

Dated this 21<sup>st</sup> day of October 2021