

ZURICH TAKAFUL MALAYSIA BERHAD

[Registration No: 200601012246 (731996-H)]

BOARD CHARTER

1. PURPOSE OF BOARD CHARTER

- 1.1 The Board Charter sets out the mandate, responsibilities and procedures of the Board and Board Committees, including the matters reserved for the Board's decision, in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by Bank Negara Malaysia ("BNM") and relevant regulatory authorities.
- 1.2 The Board Charter should be in compliance with the policy documents and guidelines issued by BNM and relevant regulatory authorities and in the case of contradiction, the law shall prevail.
- 1.3 The Board Charter shall be reviewed by the Board from time to time to ensure its effectiveness as well as to ensure the Company remains at the forefront of best practices in corporate governance.

2. OBJECTIVES OF THE BOARD

- 2.1 The objectives of the Board are as follows:
 - to provide strategic guidance and effective oversight of Management;
 - to challenge Management with questions based on informed knowledge;
 - to oversee Management's plans, decisions and actions;
 - to monitor Management's ethical conduct, financial reporting and regulatory compliance; and
 - to be capable of effectively achieving good governance and protecting stakeholders' interest.

3. ROLE OF THE BOARD

- 3.1 The role of the Board is to organize and direct the affairs of the Company in a manner that seeks to maximize the value of the Company for the benefit of its shareholders and stakeholders, while complying with relevant regulatory requirements, the Company's Constitution and relevant corporate governance standards. The key Board functions is annexed as Appendix 1.
- 3.2 The Board is the ultimate decision-making body of the Company, with the exception of matters requiring shareholders' approval. It sets the strategic direction and vision of the Company. The Board takes full responsibility in leading, governing, guiding and monitoring the performance of the Company and enforces standards of accountability, all with a view to enabling Management to execute its responsibilities effectively.
- 3.3 The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company and for ensuring reasonable standards of fair dealing, without undue influence from any party as well as putting in place a framework of good corporate governance within the Company, including the processes for financial reporting, risk management and compliance. Board members bring their independent judgement, diverse knowledge and experience in deliberations on issues pertaining to strategy, performance, resources and business conduct.

3.4 The overall principal responsibilities of the Board are to direct and supervise the management of the business and affairs of the Company including but not limited to the following:

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- (c) oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- (d) promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior;
- (e) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- (f) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- (g) promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;
- (h) establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies;
- (i) ensure sufficient resources toward the on-going development of the Board, including adequate budget, having in place development plans for director and regularly updating such plans to ensure that each director possesses the knowledge and skills necessary to fulfill his/her responsibilities;
- (j) establish a written policy to address the directors' actual and potential conflicts of interest [*Cross Reference with Board Policy on Conflicts of Interest*];
- (k) ensure each director acknowledges the roles and responsibilities and terms of his/her appointment;
- (l) perform such duties and responsibilities as may be required by laws, regulations, guidelines and Constitution of the Company;
- (m) review and approve any act, thing or deed as may be reserved for the Board's approval;
- (n) overall responsibilities outlined (a) to (m) mentioned above includes the responsibilities of the Board to promote Shariah compliance in accordance with expectations set out in the Shariah Governance Framework issued by BNM; and
- (o) those responsibilities arises from the following circular, policy and guidelines issued by BNM, from time to time:

(i) **Compliance Function**

[Cross Reference with: Policy document on Compliance (BNM/RH/PD 028-9) issued on 10 May 2016]

- (ii) **Risk Management and Risk Governance Oversight**
[Cross Reference with:
 (1) *Policy document on Risk Governance (BNM/RH/GL 013-5) issued on 1 March 2013; and*
 (2) *Terms of Reference of Risk Management and Sustainability Committee]*
- (iii) **Internal Audit Function**
[Cross Reference with:
 (1) *Guidelines on Internal Audit Function (BNM/RH/GL 013-4) issued on 30 June 2010; and*
 (2) *Terms of Reference of Audit Committee]*
- (iv) **External Auditor**
[Cross Reference with:
 (1) *Guideline on External Auditor (BNM/RH/GL/018-4) issued on 29 August 2014; and*
 (2) *Terms of Reference of Audit Committee]*
- (v) **Financial Reporting**
[Cross Reference with: Policy document on Financial Reporting (BNM/RH/PD 032-13) issued on 22 April 2022]
- (vi) **Financial Condition Report**
[Cross Reference with: Policy document on Financial Condition Report (BNM/RH/PD 029-54) issued on 16 November 2022]
- (vii) **Appointment, Re-appointment and Cessation of Appointed Actuary**
[Cross Reference with:
 (1) *Appointment, Re-appointment and Cessation of Appointed Actuary (BNM/RH/STD 029-5) issued on 28 April 2014; and*
 (2) *Terms of Reference of Nomination and Remuneration Committee]*
- (viii) **Stress Testing**
[Cross Reference with: Policy document on Stress Testing (BNM/RH/PD 029-7) issued on 30 June 2016]
- (ix) **Fit and Proper Criteria, Policies and Procedures**
[Cross Reference with:
 (1) *Policy on Fit & Proper Criteria (BNM/RH/GL 018-5) issued on 28 June 2013; and*
 (2) *Terms of Reference of Nomination and Remuneration Committee]*
- (x) **Related Party Transactions**
[Cross Reference with: Policy document on Related Party Transactions (BNM/RH/GL 018-6) issued on 28 June 2013]
- (xi) **Risk-Based Capital Framework**
[Cross Reference with: Policy document on Risk-Based Capital Framework (BNM/RH/PD 032-12)
- (xii) **Shariah Governance**
[Cross Reference with: Policy document on Shariah Governance (BNM/RH/PD 028-100) issued on 20 September 2019]

4. DUTIES AND RESPONSIBILITIES OF THE DIRECTORS, BOARD CHAIRMAN, INDEPENDENT DIRECTORS AND CHIEF EXECUTIVE OFFICER

4.1 Directors

4.1.1 Under the Companies Act, 2016 (“the Act”), a Director shall at all times act honestly and use reasonable diligence in the discharge of his/her duties.

4.1.2 A Director’s duties and responsibilities among others shall include the following:

- ✓ to act *bona fide* and in the best interests of the Company;
- ✓ to be aware of the Company’s operating environment and promote safety and soundness of the Company;
- ✓ to be diligent in undertaking his/her duties and avoid conflict of interest situation;
- ✓ to be able to exercise independent judgement in decision making and provide sound and objective advice;
- ✓ to understand his/her oversight role and ‘duty of loyalty’ to the Company, its shareholders and other stakeholders;
- ✓ to objectively question management;

- ✓ to devote adequate time and attention to discharge his/her duties and responsibilities effectively; and
- ✓ to contribute actively to the functions of the Board and be able to provide special expertise to the Board.

4.2 Board Chairman/Chairperson

4.2.1 The primary role of the Chairman/Chairperson are to:

- ✓ leads the Board;
- ✓ ensure the smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- ✓ ensure appropriate guidelines and procedures are in place to govern the Board's operation and conduct;
- ✓ ensure decisions are taken on a sound and well-informed basis, including all strategic and critical issues are considered by the Board;
- ✓ ensure Directors receives the relevant information on a timely basis;
- ✓ encourage healthy discussion and ensure dissenting views can be freely expressed and discussed; leads efforts to address the developmental needs of the Board; and
- ✓ maintain regular contact with the Chief Executive Officer for ensuring effective corporate governance.

4.3 Independent Directors

4.3.1 Independent Directors carry additional responsibilities to ensure independence of the Board and to help mitigate any conflict of interest between the policy-making process and the day-day management of the Company. The primary responsibilities are to:

- ✓ protect the interest of minority shareholders, other stakeholders and the general public;
- ✓ enhance the independence and objectivity of the Board's deliberations;
- ✓ mitigate any possible conflict of interests between the policy-making and the day-to day management of the Company;
- ✓ constructively challenge and contribute to the development of strategies for the Company;
- ✓ ensure that the Board uses adequate systems and controls to safeguards the interests of the Company; and
- ✓ provide the 'check and balance' function to the Board.

4.4 Chief Executive Officer ("CEO")

4.4.1 The CEO is an employee of the Company and leading senior management, bears primary responsibility over the day-to-day management of the Company. The CEO responsibilities of senior management, among others, includes:

- ✓ developing and recommending medium and long-term strategies as well as vision for the Company that lead to creation of shareholders' value;
- ✓ developing and recommending an annual business plan and budget that support the medium and long-term strategies;
- ✓ implementing the business and risk strategies, remuneration and other policies in line with the Company's business strategies and mission;
- ✓ ensuring that the Company achieve and maintain a satisfactory competitive position within its industry;
- ✓ implementing a well communicated organisational structure that shows responsibility and authority of reporting lines as well as implement effective channels of internal and external communication;
- ✓ identifying and implementing a sound risk management system;
- ✓ ensuring that the technology and systems used are adequate in tandem with the size and complexity of the operation of the Company;
- ✓ maintaining a positive and ethical work climate that is conducive to attract, retain and motivate a diverse group of top quality employees;

- ✓ ensuring that the Company has an effective management team supporting the CEO and has an active plan for the development of the Company and succession plan for management team;
- ✓ monitor and provide an objective view on the performance of management in meeting the agreed goals and objectives;
- ✓ establishing a management structure that promotes accountability and transparency throughout the Company's operations and preserves the effectiveness and independence of control functions;
- ✓ ensuring in cooperation with the Board that there is an effective succession plan in place for the CEO's position;
- ✓ provide the 'check and balance' function to the Board;
- ✓ promoting together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour; and
- ✓ regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to
 - (i) the performance, financial condition and operating environment of the Company;
 - (ii) internal control failures, including breaches of risk limits; and
 - (iii) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.

5. COMPOSITION OF THE BOARD

5.1 Size of the Board

- 5.1.1 The Board shall consist of at least three members and not more than ten members at all times.
- 5.1.2 The Board shall have a majority of independent directors in line with BNM's Guidelines on Corporate Governance.
- 5.1.3 The Board shall not have more than one Executive Director, unless BNM approves otherwise in writing.
- 5.1.4 The Board and the Board Committees must be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of directors that are required to serve on multiple Board Committees.

5.2 Appointment of the Board

5.2.1 Selection criteria of the Board

The individual shall meet the following requirements:

- a) not be disqualified under Section 68(1) of the Islamic Financial Services Act 2013 ("IFSA");
- b) complied with Section 69 of the IFSA on the fit and proper requirements;
- c) not an officer or partner of the Company's appointed external auditors in the past two years;
- d) not an active politician;
- e) has a good mix of skill sets and specific expertise / market / business knowledge required by the Board of the Company;
- f) has obtained prior written approval of BNM on the appointment / re-appointment of any person as a director of the Company, for the duration of the term specified by BNM.

5.2.2 Selection criteria as the Chairman/Chairperson of the Board

The individual shall meet the following requirements:

- a) shall be an independent, non-executive director;
- b) has not served as a CEO of the Company in the past five years;
- c) must not chair any of the Board Committees.

5.2.3 Selection criteria of the independent directors

The individual (or persons linked to him*) shall meet the following requirements:

- a) clear demonstration of independent in character and judgement;
- b) has not served as an executive of the Company or its related corporations in the last two years;
- c) has no business relationship or been engaged as a professional adviser of the Company or its related corporations in the last two years;
- d) does not hold more than 5% equity interest, directly or indirectly, in the Company or its related corporations;
- e) has served as an independent director of the Company for tenure of less than nine years; and
- f) must immediately disclose to the Board any change in his/her circumstances that may affect his/her status as an independent director.

**persons linked to an independent director refer to his/her spouse, parent, child (including adopted or step child), siblings and the spouse of the siblings.*

5.3 Cessation of retirement from office

- 5.3.1 Pursuant to Section 70 of the IFSA, where applicable, the director shall immediately cease to hold office and act in such capacity.
- 5.3.2 The written approval of BNM must be obtained before the Company removes an independent director and an independent director resigns from his/her position.
- 5.3.3 Unless the written approval of BNM has been obtained, a director whose tenure has expired and is being proposed for re-appointment must immediately cease to hold office and act in such capacity, including participating in Board meetings or holding himself/herself out as a director of the Company.

5.4 Election and Re-election of Directors

- 5.4.1 Any Director so appointed with term of office as approved by BNM shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.
- 5.4.2 An election of Directors shall take place each year at the annual general meeting of the Company where one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election. All Directors shall retire from office once at least in each three years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he/she retires.

6. BOARD MEETINGS MATTERS

6.1 Board Meetings

- 6.1.1 The Board will meet at least four times in each financial year; additional meetings may be call at any time at the discretion of the Board Chairman/Chairperson.

- 6.1.2 A resolution in writing signed by all Directors shall be as valid and effectual in all respects as if it has been passed at a meeting of the Board duly convened and held in accordance with the Company's Constitution.
- 6.1.3 Any attendance by way other than physical attendance remains the exception rather than norm and is subject to appropriate safeguards to preserve the confidentiality of deliberations. Directors may participate Board Meetings by means of conference telephone or video conferencing or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participate throughout the duration of the communication between the Directors and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.
- 6.1.4 The Board may invite any persons to be in attendance to assist in its deliberations. The Senior Management's representative such as the CEO, Chief Financial Officer, Chief Risk Officer and Internal Audit Management should normally attend Board Meetings.

6.2 Quorum and Voting at Meetings

- 6.2.1 The quorum for Board meetings shall be at least half (50%) of the Board members to be present.
- 6.2.2 Questions arising at Board Meetings shall be decided by a majority of votes of Directors who are present and entitled to vote. In case of any equality of votes the Chairman/Chairperson of the Board Meetings shall not have a second or casting vote where there are only two Directors present at the Board Meeting and the resolution in question shall not be carried.
- 6.2.3 A Director is required to abstain from deliberations and voting in respect of any contract or proposed contract or arrangement in which he/she has direct or indirect interest.
- 6.2.4 The Chairman/Chairperson and the Board may, if deemed necessary and appropriate, request an interested Director to excuse himself/herself in the deliberation.

6.3 Board Attendance

- 6.3.1 Each Director shall attend at least 75% of the Board Meetings held in each calendar year. Director is not allowed to appoint another person to attend or participate in a Board meeting on his/her behalf. The office of a Director shall become vacant if a Director fails to attend at least 75% of the total numbers of Board Meetings in a calendar year without prior approval from BNM.
- 6.3.2 Each Director should devote sufficient time to prepare for and attend Board meetings.

6.4 Agenda

- 6.4.1 The Company Secretary, in consultation with the Chairman/Chairperson, the CEO and/or the respective Head of Divisions of the Company, shall prepare the agenda of the Board meeting. However, any Director may request items to be added to the agenda for upcoming meetings.
- 6.4.2 The Company Secretary shall be responsible for the circulation of Board papers prior to the Board meeting.

6.5 Retention of Board Papers

6.5.1 The Company Secretary maintains a complete set of Board papers at the Company's registered office.

6.6 Minutes

6.6.1 The Board must ensure that clear and accurate minutes of Board Meetings are maintained to record the decisions of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.

6.6.2 The minutes must indicate whether any director abstained from voting or excused himself/herself from deliberating on a particular matter.

6.7 Board Meeting Calendar

6.7.1 In order to provide an even distribution of work over each financial year, the Board will adopt a 12-month Board Calendar. Included will be all scheduled Board and Board Committees meetings as well as major corporate and Board activities to be carried out in particular months. Once initiated it will be updated and approved prior to the start of each financial year.

6.8 Board Meetings Procedures

6.8.1 The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to the shareholders of the Company. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities.

6.8.2 Directors will use their best endeavors to attend Board meetings. Directors are expected to participate fully and constructively in the Board's discussion and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board. Directors unable to attend a meeting will advise the Chairman/Chairperson at an earlier date as soon as possible and inform the Company Secretary.

6.8.3 Board discussions will be open and constructive; recognizing that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman/Chairperson will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their records will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements the Board will decide the manner and timing of the publication of its decisions.

6.8.4 Executive Director attends Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.

7. BOARD SECRETARY

7.1 The secretary of the Board shall be the Company Secretary.

7.2 All Directors have direct access to the Company Secretary. The Company Secretary shall assist the directors, whether as an individual or as a group, to obtain independent professional advice, if necessary, in the discharge of their duties.

7.3 The Company Secretary shall be responsible to:

- i) support the effective functioning of the Board;
- ii) provide counsel to the Board on governance matters;

- iii) facilitate effective information flows between the Board, the Board Committees and senior management;
- iv) keep confidential the affairs of the Company and its officers at all times;
- v) prepare the minutes of the Board and Board Committees meetings; and
- vi) circulate timely, with a minimum of seven days in advance, all the Board and Board Committees meeting materials to the Directors, unless the Chairman/Chairperson's consent is obtained for shorter timeline.

(A) Meeting and Minutes

- notifying the Directors in advance of a meeting of the Board;
- ensuring that the agenda and Board papers as and when they are required, are prepared and forwarded to Directors prior to Board meetings;
- recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
- maintaining a complete set of Board papers at the Company's main office;
- preparing for and attending all annual and extraordinary general meetings of the Company; and
- recording, maintaining and distributing the minutes of all general meetings of the Company.

(B) Compliance

- to maintain and ensure proper safekeeping of the:
 - ✓ Register of Members;
 - ✓ Register of Directors, Secretaries and Managers;
 - ✓ Register of Directors' Shareholdings;
 - ✓ Register of Substantial Shareholdings;
 - ✓ Register of Charges;
 - ✓ Register of Debenture holders, if any;
 - ✓ Minute Books of General and Directors' Meetings; and
 - ✓ Proper maintenance of the Company's Statutory Books.
- to ensure submission of returns, as required by the Act, to the Registrar of Companies; such returns may be in respect of changes in particulars required to be made in some of the above Registers, or in respect of certain specific provisions of the Act.

(C) Governance Administration

- maintaining a Register of Company Policies as approved by the Board;
- maintaining, updating and ensuring that all directors have access to an up-to-date copy of the Board Charter and associated governance documentation;
- maintaining the complete list of the delegations of authority;
- reporting at Board meetings the documents executed under a power of attorney, documents executed in accordance with the relevant sections of the Act and/or Articles of Association of the Company under the common seal; and
- any other services the Chairman or Board may require.

7.4 The Company Secretary must not have competing time commitments that may impair his/her ability to discharge his/her duties effectively.

7.5 The appointment and removal of the Company Secretary must be approved by the Board.

8. DELEGATION OF AUTHORITY AND BOARD COMMITTEES

8.1 Board Committees

8.1.1 The Board may delegate some of its oversight functions to its committees to assist to oversee some critical or major functional areas and/or to deliberate the specific matters, which require in-depth consideration.

8.1.2 Each Board Committees is guided by a written Terms of Reference approved by the Board. Notwithstanding, the Board remains fully accountable for any authority delegated to the Board Committees.

8.1.3 The Chairmen/Chairpersons of the Board Committees report to the Board on matters dealt with at their respective Board Committee Meetings. Minutes of the respective Board Committees' Meetings are presented at the Board meetings for further discussion and direction.

8.1.4 The Board has established the following committees:

(A) Audit Committee ("AC")

- (a) Members of the AC shall be appointed by the Board on the recommendation of the Nomination and Remuneration Committee from amongst its Non-Executive Directors, and shall consist of at least three members, the majority of whom shall be Independent Non-Executive Directors.
- (b) The Chairman/Chairperson must be an Independent Non-Executive Director.
- (c) The AC should hold regular meetings at least once every quarter, or more frequently as circumstances dictate.
- (d) AC is responsible in ensuring the following matters:
 - i) Ensure that there is a reliable and transparent financial reporting process within the Company;
 - ii) Oversee the effectiveness of the internal audit function of the Company;
 - iii) Oversee the effectiveness of the Compliance function (including Shariah Review function) of the Company.
 - iv) Provide oversight over the external auditor, in accordance with the expectations set out in BNM's policy document on *External Auditor*;
 - v) Review and update the Board on all related party transactions;
 - vi) Monitor compliance with the Board's conflicts of interest policy;
 - vii) Review any third-party opinions on the design and effectiveness of the Company's internal control framework; and
 - viii) Review the accuracy and adequacy of the Chairman's statement in the director's report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statement.

(B) Risk Management and Sustainability Committee ("RMSC")

- (a) Members of the RMSC shall be appointed by the Board on the recommendation of the Nomination and Remuneration Committee from amongst its Non-Executive Directors and must consist of at least three members; a majority of whom shall be Independent Non-Executive Directors.
- (b) The Chairman/Chairperson must be an Independent Non-Executive Director.

- (c) The RMSC must periodically meet to ensure effectiveness exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on the Company's risk appetite and business plans.
- (d) RMSC is responsible for the following matters:
 - i) Support the Board in meeting the expectations on risk management as set out in the policy document on *Risk Governance* including shariah risk.
 - ii) In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Nomination and Remuneration Committee.

(C) Nomination and Remuneration Committee ("NRC")

- (a) Members of the NRC shall consist of Non-Executive Directors only, a majority of whom are independent. The minimum number of members is three Directors.
- (b) The Chairman/Chairperson must be an Independent Non-Executive Director.
- (c) The NRC should meet at least once a year or more frequently as circumstances require.
- (d) NRC is responsible in establishing a formal and transparent procedures in the following matters:
 - i) Appointments and removals of the Directors, Chief Executive Officer ("CEO"), Key Responsible Persons and Appointed Actuary;
 - ii) Composition of the Board and Board committees;
 - iii) Annual evaluation or assessment on the performance, effectiveness and the fit and proper of the Board, Board Committees and individual directors; and
 - iv) Put in place annual professional development plans for the directors to ensure that each director possesses the knowledge and skills necessary to fulfil his/her responsibilities.
 - v) The design and operation of the Company's remuneration systems for the Board, CEO, Senior Management team, Appointed Actuary, Chief Risk Officer and Chief Internal Audit, in line with the Company's corporate and risk culture; and
 - vi) Periodic review of the directors' remuneration whether it remains appropriate to each director's contribution taking into account the level of expertise, commitment and responsibilities undertaken.

(D) Shariah Committee ("SC")

- (a) Members of the SC shall be appointed by the Board on the recommendation of the Nomination and Remuneration Committee.
- (b) The appointment and re-appointment of a member of the SC shall be subject to BNM's approval. The application for any appointment or re-appointment of member of the SC shall be submitted to BNM at least three months before it expects the proposed candidate to assume his/her responsibilities.

- (c) The SC, at minimum, comprise of at least five SC members, with majority of the members are Shariah qualified persons and the chairman of the SC must be a Shariah qualified person.
- (d) In determining a Shariah qualified person, the Company must assess whether the person fulfils the following:
 - i) holds, at minimum, a bachelor's degree in Shariah, which includes study in *Usul Fiqh* (principles of Islamic jurisprudence) or *Fiqh Muamalat* (Islamic transaction/commercial law);
 - ii) possesses solid knowledge in Shariah with reasonable Islamic finance knowledge and experience of the relevant industry; and
 - iii) demonstrates strong proficiency and knowledge in written and verbal Arabic, with good command in the preferred language of the Company, either Bahasa Malaysia or English language.

8.2 Delegation of Authority

- 8.2.1 The Board may delegate its responsibilities to a Director or Management with specific scope and authority in place to oversee the operation of these delegated powers.
- 8.2.2 Consequently, individual Directors have no individual authority to participate in the day-to-day management of the Company including making any representations or agreements with other companies, suppliers, customers, employees or other parties or organizations.
- 8.2.3 The exception to this principle occurs where the Board explicitly delegates an authority to the Director individually. Additionally, it is recognized that the Executive Director will carry significant delegated authority by virtue of his/her management position.
- 8.2.4 In general, the Board delegates all powers and authorities required, to effectively and efficiently, carry out the Company's business. Exceptions to the delegations are provided in internal policy documents.

9. TERMS OF A DIRECTOR

- 9.1 Appointments to the Board shall be for a period of up to the term of office as approved by BNM which may be extended for further periods subject to BNM's approval, provided the Director still meets the criteria as a Director of the Company.
- 9.2 Subject always to the approval from BNM, Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years shall be eligible to continue in office as Non-Independent Non-Executive Directors of the Company until the conclusion of the next Annual General Meeting of the Company.

10. TIME COMMITMENT

- 10.1 The Board is to set out expectations on time commitment for attending Board/Board Committees Meetings for all Directors and protocols for accepting new directorships.
- 10.2 Each Director is expected to confirm that he/she will be able to allocate sufficient time to meet the expectation of his/her role as a Director and not have competing time commitments that can/may impair his/her ability to discharge his/her duties effectively.
- 10.3 The Directors are advised to notify the Chairman/Chairperson including indication of time that will be spent on the new appointment before accepting any new directorship.

- 10.4 The Board must maintain a policy on the maximum number of external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Company's operations.
- 10.5 The maximum number of directorships that a director is allowed to maintain at any one time shall be as follows:
- Maximum number of directorships in public listed company: **5**
 - Number of directorships in non-listed company: **Unlimited**

11. DIRECTORS' CODE OF CONDUCT AND ETHICS

11.1 In accordance with legal requirements, all Directors are to:

- act objectively, honestly, in good faith and in the best interests of the Company as a whole at all times;
- owe a fiduciary duty to the Company;
- exercise reasonable care, skill and diligence in fulfilling the functions of Director and exercising the powers attached thereto;
- undertake diligent analysis of all proposals placed before the Board;
- conduct themselves according to the highest standards of personal and professional integrity, with a level of skill expected from directors;
- avoid at all times any situation of conflicts of interest;
- demonstrate commercial reasonableness in decision making;
- keep confidential of all information, documents or materials received in the course of exercising their duties as Directors of the Company, except as required by law, or as agreed by the Board;
- protect and ensure the efficient use of the Company's assets for legitimate business purposes;
- not allow personal interest or the interest of any associated person, to conflict with the interests of the Company;
- encourage fair dealing through tone from the top with the Company's employees, customers, suppliers, competitors and the general public;
- encourage the reporting of any unlawful/unethical act or behaviour within the Company by providing protection to those who report such act or behaviour in good faith.

12. CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

12.1 Conflict of Interest

12.1.1 Each Director must disclose any actual or potential conflict of interest that might reasonably be thought to exist, on his/her appointment as a Director of the Company or declare at the Board meeting the fact, nature, character and extent of the conflict.

12.1.2 As soon as a Director becomes aware of any actual/potential conflict of interest, he/she should notify the Chairman/Chairperson and/or Board of Director and the Company Secretary in writing on the contract/transaction.

12.1.3 Type of conflicts of interest are as summarised below:

- (i) Personal Investments – Any personal investment of more than 5% and your role at Zurich with any company Zurich does or is likely to do business with (e.g. customer, supplier, distributor, agent, intermediary, consultant, or other party or a competitor).
- (ii) Employment of Relative(s) of the Group Leadership Team – (i) a Relative¹ being considered to be hired in Zurich, or (ii) if your relationship with an existing employee change such that the employee becomes a Relative.
- (iii) External Engagements
 - Serving as director, officer or advisor in any company or organisation that is not a Zurich Subsidiary leads to an actual, potential or perceived Conflict of Interest.
 - Any secondary employment and unpaid work (including voluntary work, with one of Zurich's competitors) or external engagement that might create an actual, potential or perceived Conflict of Interest or adversely affects your role as in Zurich.
 - Must disclose your intention to run for a political office at any level, or to become engaged in a political party as director, officer, advisor, or employee.
 - To disclose any external engagements even though at Zurich's request.

¹ Relative(s)¹ refers to spouse, registered partner, domestic partner, unmarried couple, child, step-child, grandchild, nephew and niece, parent, step-parent, grandparent, aunt and uncle, siblings (brother or sister) and step-siblings, in-laws (father, mother, brother, sister, son, daughter), anyone living in the Same Household² legally, whether related or not, anyone economically dependent upon the employee or vice versa, any other personal relationship that could create a Conflict of Interest or negatively impact or influence the employment relationship.

² Same Household - A group of two or more persons living in residential dwelling unit who are dependent on each other, or dependent on one or more members of that group. This includes, but is not limited to, spouses or persons in a long-term relationship, and their dependent children; guardians and their dependent wards; and any other dependent relationship. Persons living at the same address or in the same residential unit, and who are not dependent on any other person at that address or residential unit, do not constitute the same household.

12.1.4 A Director who has actual/potential conflict of interest in a contract/transaction entered into or proposed to be entered into by the Company shall be counted only to make the quorum at the Board meeting but shall not participate in any discussion and shall not vote on the contract/transaction or proposed contract/transaction. Disclosure procedures and management of conflicts of interest are as per the Board Policy on Conflicts of Interest.

12.2 Related Party Transactions

12.2.1 Related party transactions include any financial transaction between a Director or officer and the Company and will be reported to the Board and BNM, where applicable.

13. DIRECTORS' TRAINING AND DEVELOPMENT

13.1 Induction Programme / In-House Directors' Training

13.1.1 Newly appointed Directors are required to attend an Induction Programme or an In-House Directors' Training which is tailored to enable them to build up a detailed understanding of the Company's business and strategy as well as the key risks and issues with which they are faced.

- 13.1.2 All newly appointed Directors will have to attend the Financial Institutions Directors' Education (FIDE) as prescribed by BNM.
- 13.1.3 During the induction programme, the newly appointed Directors will be briefed by the relevant Heads of Divisions on the functions and areas of responsibility of their respective divisions. This serves to familiarise the Directors with the operations and organisational structure of the Company as well as to provide them with a platform in establishing an effective channel of communication and interaction with Management.
- 13.1.4 The Induction Programme is supplemented by ongoing training and development programmes.

13.2 Evaluation of Training Needs

- 13.2.1 The Board evaluates the training needs on a continuous basis and determines areas that would further their understanding of the issues facing the Company at a budget to be determined by the Board of Directors on a yearly basis. The Company Secretary shall facilitates in organising internal and external programmes, training sessions, briefings, workshops and seminars for Directors. Directors may request that training on specific subjects be arranged in order to facilitate them in discharging their duties effectively.

14. ACCESSIBILITY OF INFORMATION AND ADVICE

14.1 Information Seeking Protocol

- 14.1.1 Directors will adhere to the following protocol when seeking information:
- (a) approach the CEO/Company Secretary to request the required data;
 - (b) if the data is not forthcoming, approach the Chairman/Chairperson;
 - (c) if the information is still not forthcoming, write to all Board members and the CEO detailing the information that is required, purpose of the information, and who the Director intends to approach in order to obtain the information; and
 - (d) as a last resort, employ the provisions of the Companies Act, 2016, IFSA and/or BNM's Guidelines.
- 14.1.2 The Board shall receive information in a timely manner and of a quality appropriate to enable the Board to discharge and facilitate an informed decision-making process.
- 14.1.3 All Directors shall have unfettered access to information and Management of the Company to enable them to carry out their responsibilities.
- 14.1.4 The Board shall receive information that is not just historical or bottom line and financial-oriented but information that goes beyond assessing the quantitative performance of the enterprise and looks at other performance factors such as customer satisfaction, product and service quality, market share, market reaction, environment performance and so on, when dealing with any item on the agenda. Reports received by the Board include the Monthly/Quarterly Management Reports.

14.2 Access to Professional Advice

- 14.2.1 A Director of the Company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation a Director may, from time to time, need to seek independent, expert opinion on matters before them.

14.2.2 Prior to seeking professional advice, a Director shall inform the Chairman/ Chairperson about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice. Where more than one Director is seeking advice about a single issue, the Chairman/Chairperson shall endeavor to coordinate the provision of the advice.

14.2.3 Advice so received should be received on behalf of the Board as a whole.

14.3 Access to information and Board Papers

14.3.1 Management provides the Board and Board Committees with information in a form, within acceptable timeframe and quality that enable them to discharge their duties and responsibilities effectively.

15. TENURE OF INDEPENDENT DIRECTORS

15.1 The tenure of service of Independent Directors is capped at the maximum limit of nine years. An Independent Director who has served the Company for nine years or more may, subject to the Nomination and Remuneration Committee's recommendation and shareholders' approval, continue to serve the Company in the capacity of Non-Independent Director.

15.2 The Nomination and Remuneration Committee undertakes assessment of the independence of the Independent Directors, upon admission, annually and as and when new interest or relationship develops.

16. NON-EXECUTIVE DIRECTORS' REMUNERATION

16.1 Fees

16.1.1 Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Board from time to time.

16.2 Performance-Based Bonus

16.2.1 Non-Executive Directors do not receive performance-based bonuses.

17. INSURANCE

17.1 The Company has Directors' insurance policies in place.

KEY BOARD FUNCTION

1. THE BOARD AND STRATEGY

- 1.1 The Board will approve a formal strategic planning that articulates the respective roles and levels of involvement of the Senior Management and other employees and will review the strategic plan for the Company on a regular basis.

2. CONTACTS AND ADVISORY ROLE

2.1 CEO Advisory Role

- 2.1.1 It is recognized that a key directorial duty is providing a sounding Board for CEO ideas and challenges. Recognizing that the CEO-Board relationship is critical to effective corporate governance, Directors should provide frank and honest advice to the CEO. It is expected that the Chairman/Chairperson will play a key part of this role and will maintain regular contact with the CEO.

- 2.1.2 All advice should be constructive in nature and provided in a positive manner. Where appropriate, Directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

2.2 Protocol for Interaction with Internal and External Parties / Stakeholder Communication

- 2.2.1 The Board has designated the CEO or the Chairman/Chairperson (where appropriate) of the Company to make any public announcements and/or to speak to the press on matters associated with the Company.

- 2.2.2 There will be times when Directors will be approached by the media for public comment. On such occasions, the Director(s) should comply with the following:

- (i) refer the person to the CEO or the Chairman/Chairperson as appropriate for comment;
- (ii) refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the CEO or the Chairman/Chairperson; and
- (iii) inform the person who contacted the director, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the CEO or the Chairman/Chairperson.

3. MONITORING

- 3.1 The Compliance framework lays down mechanisms and tools to ensure consistency and efficiency in managing compliance risk within the Company. Reviews are conducted by the Compliance Department to assess the degree of compliance with regulatory requirements by entities/departments/units within the Company. The Board and Board Committees are provided with compliance reports on a regular basis to facilitate the Board and Board Committees having a holistic and overall view of all compliance matters across the Company.

4. COMPLIANCE

- 4.1 The Board is responsible to oversee, review and ensure the integrity and effectiveness of the Company's compliance systems. The Board has access to the external auditor who is responsible for verifying the Company's compliance systems and reporting to the Board on those systems.

5. RISK MANAGEMENT AND GOVERNANCE

- 5.1 Since risk management is a complex and critical component of the Company's governance, the Board will oversee and guide the details of this area. The CEO will be charged with implementing appropriate risk systems within the Company. Aspects of this process may be delegated.

- 5.2 The Board recognizes the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company. Procedures have been established at the Board and Executive Management levels, which are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting.

- 5.3 Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company will be to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- Senior Management, the Board and investors understand the risk profile of the Company.

- 5.4 Management will review all major strategies and purchases for their impact on the risk facing the Company and make appropriate recommendations to the Board. The Company will also undertake an annual review of operations to update its risk profile.

5.5 Internal Control Policy and Procedures

- 5.5.1 Clearly documented internal control policies and procedures (P&Ps) of all business serve as day-to-day operational guides to ensure compliance with internal controls and applicable laws and regulations.

- 5.5.2 The P&Ps are reviewed and updated from time to time or as and when necessary, to ensure continuous improvements in operational efficiency taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services. The P&Ps are made available to all employees.

6. CORPORATE SOCIAL RESPONSIBILITY

- 6.1 The Company is committed to fulfill its Corporate Social Responsibility (CSR) and contribute to the realisation of a sustainable future through:
- ❖ focusing on the responsibilities emphasised in its corporate philosophy;

- ❖ heartening the communities in which its operate;
- ❖ maintaining high integrity at the market place through ethical business conduct, good corporate governance practices and enhancement of the shareholders' value; and
- ❖ creating a safe and conducive working environment for its employees with concern on their safety, health and welfare.

7. THE BOARD'S RELATIONSHIPS WITH SHAREHOLDERS

- 7.1 The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of shareholders and, if thought appropriate, will take outside expert advice on these matters.

8. RELATIONSHIP OF THE BOARD WITH MANAGEMENT

- 8.1 Many of the responsibilities of the Board are delegated by the Board to Management. There shall be an adequate degree of independence and a process or practice in place to allow the Directors to meet and actively exchange views. In this way, the Board will be able to assess the direction of the Company and the performance of Management – one of the Board's principal responsibilities. Management's responsibilities shall include the following:

(a) Delegation of responsibilities to Management

- i) to ensure compliance with all applicable laws, acts, regulations, directives, rules, guidelines and such other acts enacted from time to time by the authorities.
- ii) to ensure that the accounting records of the Company are properly recorded and kept.
- iii) to implement plans that has been approved by the Board and reports its status to the Board.
- iv) to ensure that employees work towards the objectives set by the Board.
- v) preparation of Strategy and Business Plans and Forecasts/ Goals for approval by the Board.
- vi) advice the Board on the strategic plans which include aims and objectives of the Company.
- vii) preparation and review annually the draft strategic plan for approval by the Board.
- viii) development of the Company's policies and procedures for the management of risk.

(b) Delegation on Direct Operational Decisions

- i) advice on acquisition and disposal of land and/or buildings or investments.
- ii) to consider and make recommendations to the Board on action on litigation against or on behalf of the Company.

- iii) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the BNM's requirements and the Companies Act, 2016.

9. BOARD AND SENIOR OFFICERS' EVALUATION

9.1 Evaluation Process

9.1.1 The Board considers the evaluation of its own and senior officers' performance as fundamental to establishing a culture of performance and accountability.

9.1.2 The Board monitors and provides an objective view on the performance of Chief Executive Officer and senior management in meeting the agreed goals and objectives of the Company.

9.2 Board's and Board Committees' Evaluations

9.2.1 The Board recognises the importance of assessing the effectiveness of individual directors, the Board and Board Committees. Annually the NRC provides a formal and transparent procedure for the assessment of the effectiveness of individual directors and the Board as a whole.

9.3 Senior Officers' Evaluations

9.3.1 All Senior Officers of the Company will be subject to an annual performance evaluation. Each year, Senior Officers (including CEO and expatriates) will establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements of the position.

10. EMERGENCY CONTACT PROCEDURES

10.1 Each Director shall provide his/her contact details to the Company Secretary in case there is an urgent matter required the Board immediate decision.