

HONG LEONG MSIG TAKAFUL BERHAD (“the Company”) - BOARD CHARTER

The Board Charter sets out the mandate, responsibilities and procedures of the Board of Directors (“Board”) and Board Committees in accordance with principles of good governance set out in the policy documents and guidelines issued by Bank Negara Malaysia (“BNM”) and other relevant regulatory authorities.

The Board shall periodically review and update the Board Charter in tandem with any changes to regulatory requirements.

1. Introduction

- 1.1 The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company.
- 1.2 The Board elects a Chairman whose primary responsibility is the effective overall functioning of the Board.
- 1.3 The Board appoints a Chief Executive Officer (“CEO”) who is responsible for the business and day-to-day management of the Company.

2. Terms of Reference (“TOR”) of the Board

The main responsibilities of the Board are to:

- 2.1 review from time to time and approve the Company’s corporate mission, statement and broad strategies, risk appetite, business plans and other initiatives which would have a material impact on the Company’s risk profile including financial soundness, reputation and key operational controls and ensure that there is an appropriate risk management framework and appropriate systems to manage these risks;
- 2.2 approve the internal capital target, Internal Capital Adequacy Assessment Process (“ICAAP”) and Capital Management framework;
- 2.3 ensure that senior management discharges its responsibilities for the development and effective implementation of ICAAP;
- 2.4 review and approve specific investments and divestments;
- 2.5 review and approve material transactions before implementation;
- 2.6 ensure that the Company has adequate management resources to achieve its objectives and to support the CEO and that a satisfactory plan for succession management is in place;
- 2.7 ensure that the Company has in place procedures to enable effective communication with stakeholders;
- 2.8 promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;

2. TOR of the Board

- 2.9 oversee and review the adequacy and integrity of the Company's governance framework, internal control framework and management information framework, including systems for compliance with applicable laws, regulations, rules, directives and guidelines as well as to prevent Shariah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance;
- 2.10 promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent, professional behaviour in the conduct of business and 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 in accordance with regulatory framework and requirements, where applicable;
- 2.11 promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- 2.12 ensure the integrity of the Company's financial and non-financial reporting;
- 2.13 establish and regularly review succession plans for the Board to promote board renewal and address any vacancies;
- 2.14 oversee the selection, performance, remuneration and succession plans of the CEO, control function heads, material risk takers and other members of senior management, including officers who are entrusted to implement the BNM policy document on Shariah Governance ("Officers"), and to ensure that the measures of their performance are aligned with Shariah governance objectives. The Board may delegate matters relating to appointments and assessment of senior management and Officers, control function heads and, material risk takers to Board Committees and/or CEO as the Board deems fit;
- 2.15 approve and review periodically the remuneration policy of the Company.
- The remuneration for each director, Shariah Committee ("SC"), senior management and material risk takers must be approved by the Board annually.
- 2.16 To approve policies relating to governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance within the Company; and
- 2.17 To oversee the implementation of Shariah Advisory Council ("SAC") rulings and decisions or advice of the SC within all business and functional lines, including any business or risk implications arising from such implementation.

3. Responsibilities of the Chairman

The Chairman is responsible to lead and coordinate the activities of the Board and has the following specific responsibilities:

- 3.1 to conduct meetings of the Board and of shareholders;
- 3.2 to schedule Board meetings in a manner that enables the Board and its Committees to perform their duties effectively;
- 3.3 to prepare, in consultation with the CEO, other directors and Committee chairmen the agendas for the Board and Committee meetings;
- 3.4 to ensure all strategic and critical issues are considered by the Board and that directors receive the relevant information on a timely basis; and
- 3.5 to encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed.

4. Responsibilities of the CEO

The CEO is the senior executive of the Company and is responsible for:

- 4.1 formulating the vision for the Company and recommending policy and the strategic direction of the Company for approval by the Board;
- 4.2 providing management of the day to day operations of the Company;
- 4.3 acting as the spokesman of the Company;
- 4.4 implementing the business and risk strategies, remuneration, effective Shariah governance policies, procedures, practices and other policies in accordance with the direction given by the Board;
- 4.5 establishing a management structure and reporting arrangement that provides a clear scope of accountability between the business lines and the internal control functions that are involved in managing Shariah non-compliance risks, including the accountability of the senior officer leading a Shariah department or unit;
- 4.6 promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour in the conduct of business;
- 4.7 addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- 4.8 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;

4. Responsibilities of the CEO

- (iii) any potential or actual Shariah non-compliance events; and
 - (iii) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.
- 4.9 implement the rulings of the SAC and the decision or advice of the SC with due regard by the Board;
- 4.10 implement an effective communication policy that supports a sound understanding of Shariah matters across the Islamic Financial Institutions; and
- 4.11 conduct regular assessment to evaluate the quality of operational support provided to the SC and address any inadequacies arising thereof.

5. Board Committees

The Board has established the following Board Committees whose compositions, functions, responsibilities and authority delegated by the Board are set out in the respective Board Committees' TOR per Appendix A:

- HLA Holdings Sdn Bhd ("HLAH") Group Board Audit Committee
- HLAH Group Board Risk Management Committee
- Nomination Committee
- Remuneration Committee

Board Committees shall report, update and keep the Board informed on the significant issues, key deliberations, recommendations and decisions on delegated matters.

6. SC

The roles and responsibilities of the SC as prescribed in the BNM policy document on Shariah Governance as set out in the SC's TOR.

While the SC is responsible to perform an oversight role on Shariah matters related to the Company's business operations and activities, the Board remains responsible for the direction and control of the Company's business and risk strategies.

7. Matters Reserved & Delegated by the Board

The responsibilities and procedures of the Board, the Board Committees and the SC are set out in their respective TOR.

Matters reserved for the Board's decision include the following:

- 7.1 business direction and key strategies;
- 7.2 new or changes to the Strategic Business Plans;
- 7.3 mergers and acquisitions;
- 7.4 expansion/entry into new markets and regions;
- 7.5 corporate restructuring/reorganisation;
- 7.6 set-up of new subsidiaries; joint venture partnerships;
- 7.7 new investments/acquisitions/disposals of significant assets; and
- 7.8 any other matters, which include Shariah governance matters in accordance with the policy document on Shariah Governance, as deemed necessary by the Board

The Board may delegate authority on any of the above matters to the Board Committees, SC, CEO, management committees or senior management as it deems fit.

8. Proceedings of Directors

- 8.1 The proceedings of Directors, where applicable, shall be governed by the provisions of the Constitution of the Company and the relevant laws and regulations regulating the proceedings of Directors.
- 8.2 A Director must attend at least 75% of the board meetings held in each financial year, and must not appoint another person to attend or participate in a board meeting on his behalf.
- 8.3 Attendance at a board meeting, by way other than physical presence, shall remain the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.
- 8.4 At least half of the number of the Board members shall form a quorum.
- 8.5 A director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the board meeting where the material transaction or material arrangement is being deliberated by the Board.

9. Conflict of Interest

The Company has established a Directors' Conflict of Interest Policy.

10. Director's External Commitments

Directors shall devote sufficient time to carry out their responsibilities. All Directors are expected to commit time as and when required to discharge his/her duties and responsibilities, besides attending meetings of the Board and Board Committees.

Directors shall notify the Board Chairman before accepting any new directorships.

A Director of the Company shall not hold more than five directorships in public listed companies.