

# FWD Takaful Berhad

## Board Charter

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### 1.0 OBJECTIVE

The role of the Board of Directors of the Company (the “Board”) is to provide entrepreneurial leadership of Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of Company and delivery of sustainable value to shareholders. It sets the strategy and risk appetite for Company and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.

### 2.0 RESPONSIBILITIES OF THE BOARD

2.1 The Board has the ultimate responsibility for the operations and the financial soundness of the Company. In discharging its responsibilities, it should take into account the legitimate interests of shareholders, depositors and other relevant stakeholders. Directors should act bona fide in the interest of the Company, and on an informed and prudent basis, in accordance with the applicable laws, regulations and supervisory standards.

2.2 The Board’s responsibilities include, but are not limited to:

- (i) setting and overseeing the objectives of the Company and the strategies for achieving those objectives;
- (ii) overseeing and reviewing the implementation of the Company’s governance framework and internal control framework;
- (iii) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), control function heads and other members of the senior management;
- (iv) setting corporate values and standards;
- (v) ensuring a suitable and transparent corporate structure within the Company which reinforces ethical, prudent and professional behaviour;
- (vi) ensuring effective audit functions;

- (vii) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Company;
- (viii) promoting Shariah compliance in accordance with Bank Negara Malaysia (“BNM”) Policy Document on Shariah Governance and ensuring its integration with the Company’s business and risk strategies;
- (ix) having due regard to any decisions or advice of the Shariah committee on any Shariah issues relating to the operations, business, affairs or activities of the Company;
- (x) taking reasonable steps to ensure that the Shariah Committee is free from any undue influences that may hamper the Shariah Committee from exercising its professional objectivity and independence in deliberating issues brought before them;
- (xi) promoting sustainability through appropriate environmental, social and governance considerations in the Company’s business strategies;
- (xii) overseeing and approving 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; and
- (xiii) promoting timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

2.3 In discharging its responsibilities, the Board shall, among other things, have regard to the Islamic Financial Services Act 2013, and the relevant BNM policies and guidelines for financial institutions as issued from time to time.

2.4 BNM requires the Board to ensure that there are governance strategies, policies and procedures appropriate to the structure, business and risks of the Company. The Company is a subsidiary within the FWD Group, which has Group-wide corporate values and governance principles. Since the Board retains its own corporate governance responsibilities, it is ultimately responsible for the implementation and effectiveness of FWD Group policies and practices applied to the Company and the conduct and financial soundness of the Company. BNM expects the Board’s primary responsibility to be to protect the interest of the Company which it serves. As such, the Board should ensure that the decisions of the holding company are not detrimental to the Company’s sound and prudent management, financial health or legal interests of the Company’s stakeholders.

### **3.0 MATTERS RESERVED TO THE BOARD**

3.1 In addition to items reserved to the Board by law and the Constitution of the Company, the following items specifically require Board approval:

- (i) strategic plans, operating plans, risk appetite, performance targets and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (ii) the establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- (iii) recovery plan of the Company;
- (iv) remuneration policy of the Company and the remuneration for each Director, member of senior management and other material risk takers;
- (v) the authority or the delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- (vi) appointments to the positions of Chairman, Director, CEO, Financial Controller, Chief Risk Officer, Chief Operating Officer, Company Secretary, and other members of senior management and Shariah Committee;
- (vii) appointment, resignation or dismissal of the Head of Internal Audit; and
- (viii) any substantial change in the policies established from time to time by the Board for balance sheet management including capital adequacy, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks and asset concentration.

#### 4.0 POWERS OF THE BOARD AND DELEGATIONS

- 4.1 The Board is responsible for managing the business of Company and, in doing so, may exercise all the powers of Company, subject to any relevant laws and regulations and to the Constitution.
- 4.2 The Board has delegated certain authorities to the Chief Executive, Chief Risk Officer and other persons, with powers of sub-delegation.

#### 5.0 BOARD COMMITTEES

- 5.1 The Board has established and approved terms of reference for the following Committees:
  - (i) Audit Committee;
  - (ii) Risk Committee;
  - (iii) Nominations and Remuneration Committee; and
  - (iv) Shariah Committee.

- 5.2 The Board approves appointments as members of these Committees. The Committees interact with each other as appropriate to ensure consistency and compatibility in their actions and minimize any potential for gaps (e.g. information gaps) in risk management oversight. The Board shall ensure there is appropriate cross participation between the Committees. Each Committee maintains appropriate records of its deliberations and decisions and reports to the Board on its decisions and recommendations as appropriate.
- 5.3 The Board remains fully accountable for any authority delegated to the Board Committees.
- 6.0 BOARD COMMITTEES
- 6.1 The Board should have the appropriate balance of skills, experience, independence and knowledge of the Company's operations to enable it to discharge its duties and responsibilities effectively.
- 6.2 The Board should be of sufficient size that the requirements of the business can be met and that changes to the Board's composition can be managed without undue disruption.
- 6.3 The Board should comprise a majority of independent non-executive Directors at all times who have been determined by the Board to be independent in character and judgement, and are free from relationships or circumstances which are likely to affect their judgement or any relationships or circumstances which could appear to do so have been considered not to be material.
- 6.4 The Board collectively should have adequate knowledge and expertise relevant to each of the material business activities that the Company pursues (or intends to pursue) and the associated risks in order to ensure effective governance and oversight. Directors shall commit sufficient time and effort and to contribute actively to the work of the Board in order to discharge their responsibilities. The Nominations and Remuneration Committee leads the process for Board appointments and for identifying and nominating candidates as Directors. As part of the appointment process, the Company Secretary will obtain confirmations from each prospective Director that he/she is able to commit sufficient time and effort to fulfill their responsibilities effectively.
- 6.5 The Board has determined that each Director shall stand for re-election at each Annual General Meeting in accordance with the Constitution. In determining the reelection of Directors, the Board will review whether each Director remains qualified and satisfied the fit and proper requirements for his/her appointment. Each non-executive Director shall be appointed for an initial three-year term subject to reelection by shareholders as appropriate.
- 6.6 It is expected that non-executive Directors will typically serve two three-year terms and subject to rigorous review, may serve an additional three year term at the invitation of the Board. Thereafter, a non-executive Director may serve further one-year term at the invitation of the

Board. All appointments to the Board shall only take effect subject to the prior written approval of BNM is obtained.

6.7 The Company is committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board considers that its diversity, including gender diversity, is a vital asset to the business.

6.8 The Board shall ensure appropriate plans for orderly succession in respect of appointments to the Board and to senior management.

#### 7.0 ROLE OF THE CHAIRMAN AND CEO

7.1 The role of the Chairman is to provide leadership to the Board and to be responsible for the overall effective functioning of the Board. The Chairman shall possess the requisite experience, competencies and personal qualities to fulfill these responsibilities. The Chairman shall be responsible for the oversight of implementation of Board approved strategies and direction. The Chairman shall ensure that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Company. To this end, the Chairman shall, among other things:

- (i) set the agenda for board meetings and ensure that all Directors are given an opportunity to include matters on the agenda;
- (ii) ensure that Directors receive accurate, timely and clear information for Board meetings;
- (iii) encourage and promote open and critical discussion;
- (iv) ensure that any concerns and dissenting views are expressed and discussed within the decision making process;
- (v) encourage constructive relations and effective communications between the Board and management, and between the executive Directors and non- executive Directors;
- (vi) ensure that Directors, especially non-executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities; and
- (vii) lead efforts to address the Board's developmental needs.

7.2 The CEO shall be responsible for:

- (i) ensuring implementation of the strategy and policy as established by the Board;
- (ii) managing and day-to-day running of the Company's operations; and
- (iii) leading and chairing the Executive Committee.

## 8.0 MEETINGS AND QUORUM

- 8.1 The Board shall meet frequently enough to fulfill its responsibilities effectively. Board and Board Committee meetings shall be held not less than once every quarter. Additional Board meetings, or meetings of a Committee of the Board established by the Board to consider specific items, are convened when necessary. Directors should make every effort to attend all Board meetings by way of physical presence especially where major issues are to be discussed.
- 8.2 The quorum for Board meetings is four (4) Directors, one of whom shall be a Director nominated by a Member other than the Dominant Member (i.e. FWD Life Insurance Company (Bermuda) Limited). 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 When participating in meetings of the Board, executive Directors are expected to discharge their responsibilities as Directors of the Company and not to act solely as the representative of the activity for which they bear executive responsibility.
- 8.4 Non-executive Directors bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the risk profile and the reporting of performance.

## 9.0 MINUTES, AGENDA AND PAPERS

- 9.1 Full minutes of all Board and Board Committee meetings should be kept. The minutes of Board meetings should record in sufficient detail the matters considered, discussions on key deliberations, and decisions taken, including any concerns raised by Directors or dissenting views expressed. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.
- 9.2 The Company Secretary assists the Chairman in drafting an agenda for each meeting of the Board. Directors may propose any matters for inclusion in the agenda through the Chairman or the Company Secretary. Board papers and agenda are targeted for distribution to Directors at least one week before the date of the meeting. Similar arrangements are in place for Board Committees.

9.3 Copies of all Board, Shariah Committee, Executive Committee, Audit Committee, Risk Committee and Nominations and Remuneration Committee minutes are distributed to Directors with the papers for the subsequent Board meeting.

9.4 Copies of minutes and papers of Board and Committee meetings are available to Directors at all times via the Company Secretary.

## 10.0 TRAINING

10.1 The Board shall ensure sufficient time, budget and other resources are available to meet the training needs of individual Directors and of the Board collectively. In addition to presentations at Board meetings, non-executive Directors will be given the opportunity to undertake business awareness and other training and development activities. The Company Secretary will regularly distribute details of these activities. Executive Directors have access to the Company's internal training resources and may request additional support as required from the Company Secretary.

10.2 An induction programme, tailored to individual needs, shall be arranged for each new Director by the Company Secretary.

## 11.0 BOARD PERFORMANCE EVALUATION

The Board shall undertake annual assessments of its effectiveness and the contribution made by each individual Director to the effectiveness of the Board. The performance assessment shall include governance practices and procedures to determine any improvements that may be needed. The Company Secretary shall be responsible for facilitating the Board's annual performance evaluation. The Company Secretary shall maintain records and actions identified from the performance evaluation and keep the Board informed of progress with implementation.

## 12.0 INDEPENDENT ADVICE

Directors may appoint, employ or retain such professional advisors as they may consider appropriate. Any such appointment shall be made through the Company Secretary, who shall be responsible for the contractual arrangements and payment of fees by the Company on behalf of the Board.

## 13.0 REVIEW OF TERMS OF REFERENCE

The Board shall once in 2 years or when the need arises, review the Board's terms of reference and its own effectiveness.

#### 14.0 INCONSISTENCY WITH CONSTITUTION

To the extent that there is any inconsistency between these terms of reference and the Constitution, the Constitution will prevail.

##### Notes

1. In the context of these terms of reference, “FWD Group” means FWD Limited and its subsidiaries.