



THE PACIFIC INSURANCE BERHAD
(91603-K)

BOARD OF DIRECTORS' CHARTER

1. INTRODUCTION

- 1.1 The Board of Directors' Charter ("**Board Charter**") sets out the mandate, the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and board committees as well as the management of The Pacific Insurance Berhad ("the Company" or "TPIB") ensuring that the highest standards of corporate governance and transparency are practised throughout the Company with the ultimate objective of protecting and enhancing shareholders' value as well as the interest of all stakeholders.
- 1.2 The Board Charter will be reviewed periodically by the Board of Directors and made available on the Company's website.

2. PURPOSE

The objectives of this Board Charter are to ensure that all members of the Board of Directors ("the Board") acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of, the Company.

3. BOARD OF DIRECTORS ("BOARD")

3.1 Role and Responsibilities

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company as well as the proper stewardship and oversight of the management of the Company's business and affairs. The primary role of the Board is to provide effective governance by setting and communicating the strategic direction of the Company, establishing and monitoring the achievement of goals set for the Management, ensuring compliance with applicable laws as well as the maximisation of shareholders' value and safeguarding the interests of stakeholders.

The major responsibilities of the Board include:

- 3.1.1 Review and approve strategies, risk appetite, business plans and significant policies which would have a material impact on the Company's risk profile, and to monitor Management's performance in implementing them.
- 3.1.2 Set corporate values and clear lines of responsibility and accountability that are communicated throughout the Company.
- 3.1.3 Ensure competent management by overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other key senior officers, such that the Board is

satisfied with the collective competence of senior management to effectively lead the operations of the Company.

- 3.1.4 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.
- 3.1.5 Promote, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviours.
- 3.1.6 promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies.
- 3.1.7 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.
- 3.1.8 promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

3.2 Size and Composition

The Board and Board Committees shall consist of qualified individuals with diverse experiences, knowledge, technical and management expertise, professionalism and integrity. The size and composition of the Board and its Board Committees is such that it 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.

- 3.2.1 The size and composition of the Board shall be appropriate and well balanced to cater for the interest of the majority and minority shareholders as well as the business of the Company. Membership of the Board should be drawn from various fields as may be determined by the Board from time to time with a balance of skills and experiences appropriate to the business of the Company.
- 3.2.2 The number of members of the Board and Board Committees shall be determined from time to time by the Board, in accordance with the Company's Constitution, applicable laws and Bank Negara Malaysia's ("BNM") guidelines on corporate governance.

- 3.2.3 In determining the number of Directors on the Board, the Board should inter-alia, take into consideration the following:-
- (a) the evolving circumstances and needs of the Company in terms of its size, scope or geography;
 - (b) the need to achieve an appropriate balance of Executive and Non-Independent Non-Executive Directors and Independent Directors. A Board with a balanced composition will ensure that no individual or small group of individuals dominates decision-making;
 - (c) the need to ensure that the requisite/industry specific skills are represented on the Board;
 - (e) the establishment of Board Committees becomes impracticable with very small Board; and
 - (f) quorum requirements for Board Meetings.
- 3.2.4 There shall not be more than one (1) Executive Director on the Board unless otherwise approved by BNM in writing. Majority of the Board must be Independent Directors at all times.
- 3.2.5 The Chairman of the Board shall not be an Executive and must not have served as a CEO of the Company in the past five (5) years.
- 3.2.6 A Director may serve as an independent director of the Board for a period not exceeding nine (9) years (excluding the year of appointment) except under exceptional circumstances as approved by BNM. or as part of transitional arrangements towards full implementation of the succession plans of the Company.
- 3.2.7 Each Director shall disclose to the Company (by notice to the Company Secretary or by declaration at a Board meeting for recording in the minutes) any circumstances which may be relevant to the independence criteria.
- 3.2.8 The independence of the Directors is to be assessed by the Board Nomination Committee and the Board in accordance with the requirements of BNM.
- 3.2.9 The positions of Chairman and Chief Executive Officer should be held by different individuals to ensure a balance of responsibilities, authority and accountability for an effective Board.
- 3.2.10 On annual basis, the Board via the Board Nomination Committee shall review the composition of the Board in terms of the appropriate size and mix of skills, balance between Executive, Non-Executive and Independent

Directors as well as diversity including gender diversity and other core competencies required to ensure the composition mix is appropriate and relevant to the business of the Company.

4.0 BOARD COMMITTEES

- 4.1 The Board may delegate matters to committees of the Board to oversee critical or major functional area and address matters which require detailed review or in-depth consideration.
- 4.2 The Board is required to establish the following Board Committees:
- (a) Board Nomination Committee;
 - (b) Board Remuneration Committee;
 - (c) Board Risk Management Committee; and
 - (d) Board Audit Committee.
- 4.3 Each Board Committee shall:
- (a) have at least three (3) directors;
 - (b) have a majority of independent directors;
 - (c) be chaired by an independent director; and
 - (d) comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee.
- 4.4 The Board may from time to time, establish ad hoc committees to examine specific issues on behalf of the Board.
- 4.5 The Chairman of the Board shall not chair any of the Board Committees.
- 4.6 With the exception of Board Nomination Committee, Board Committees shall not have any Executive Director in its membership.
- 4.7 Each Board Committee shall assume its specific responsibilities and terms of reference which shall have been approved by the Board. The terms of reference of each of the Board Committees are set out in the Appendices 1 - 4 of this Board Charter.
- 4.8 The Board remains fully accountable for any authority delegated to the Board Committees. The existence of Board Committees does not diminish the Board's ultimate responsibility over the functions and duties of these Board Committees.

5.0 BOARD APPOINTMENTS / RE-APPOINTMENTS AND RESIGNATIONS

- 5.1 All Directors shall fulfil the minimum requirements set out in paragraphs 5.2 to 5.5 at the point of time of their respective appointments and on a continuous basis.
- 5.2 A Director shall not be disqualified under Section 59(1) of the Financial Services Act 2013 (“FSA”) and must have been assessed by the Board Nomination Committee to have complied with the fit and proper requirements.
- 5.3 A Director shall not have competing time commitments that impair his ability to discharge his duties effectively.
- 5.4 A Director shall not be an active politician which refers to an individual who is a member of any national or state legislative body, or who is an officer bearer of, or holds any similar office or position in a political party.
- 5.5 Where a firm has been appointed as the external auditor of the Company, any of its officers directly involved in the engagement and any partner of the firm shall not serve or be appointed as a director of the Company until at least two (2) years after:
- (a) he ceases to be an officer or partner of that firm; or
 - (b) the firm last served as an auditor of the Company.
- 5.6 The Board shall establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies.
- 5.7 Each Director shall be assessed against the minimum requirements set out in paragraph 5.2 to 5.5 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 circumstances that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his responsibilities. A Director shall immediately disclose to the board any circumstances that may affect his ability to meet the minimum requirements.
- 5.8 Each Director shall acknowledge the terms of his appointment, which must include:
- (a) the roles and responsibilities of the Director, including those arising from his membership in any Board Committee;
 - (b) the tenure of the appointment; and
 - (c) provisions for the Director’s removal in the event that he no longer meets the minimum requirements set out in paragraphs 6.2 to 6.5, or has been assessed to be ineffective, errant or otherwise unsuited to carry out his responsibilities.

- 5.9 For appointment of Directors and CEO, application must be submitted to BNM at least three (3) months before it expects the individual to assume his proposed responsibilities, in the case of re-appointment, applications must be submitted three (3) months prior to the expiry of the individual's existing term.
- 5.10 The written approval of BNM must be obtained before:
- (a) the Company removes an Independent Director; or
 - (b) an Independent Director resigns from his position.
- 5.11 Unless the written approval of BNM has been obtained, a Director / CEO whose tenure has expired and is being proposed for re-appointment shall immediately cease to hold office and act in such capacity, including by participating in Board meetings of holding himself out as a Director / CEO.

6.0 BOARD MEETINGS

6.1 Proceedings

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. A Director may at any time and the secretary shall on his requisition summon a meeting of the Directors.

6.2 Notice of Meeting

Unless otherwise determined by the Directors from time to time, seven (7) days' notice of all Directors' meeting shall be given to all Directors. Any Director may waive notice of any meeting either prospectively or retrospectively.

6.3 Quorum for Board Meeting

Under the Company's Constitution, the quorum shall comprise a majority of the number of Directors, of which one (1) must be an Independent Director.

6.4 Frequency of Meeting

The Board shall meet regularly at least six (6) times a year to discuss business strategy, financial performance, potential strategic acquisitions or alliances, matters pertaining to compliance and governance as well as reports on matters deliberated by the respective Board Committees.

6.5 Attendance at Board Meeting

Individual Directors shall attend at least 75% of the Board Meetings held in each calendar year as prescribed by Bank Negara Malaysia.

6.6 Board Agenda & Minutes of Meeting

The Board Meetings shall be conducted in accordance with a structured agenda approved by the Chairman. All Directors are given sufficient time to review the meeting papers prior to Board Meetings. The agenda together with the minutes of the Board Meeting shall be circulated to the Board prior to each Board Meeting to accord sufficient time for the Directors to review and consider issues to be discussed at the Board Meetings. Urgent matters may be tabled for the Board's deliberation under a supplemental agenda.

6.7 Conflict of Interest

A Director who has a direct or deemed interest in a subject matter presented at the Board Meeting shall abstain from deliberation and voting on the said subject. The Companies Act 2016 and the Fairfax Financial Holdings Limited Code of Business Conduct and Ethics specified circumstances which constitute or may give rise to conflicts of interest. General notice given by a Director is tabled at the Board meetings and the declarations made are recorded in the minutes of the Board Meeting, in line with the Companies Act 2016. The Company Secretary shall keep the records on each director's conflict of interest.

6.8 Issues Deliberated at Board Committees

The Board should be informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees and the minutes of the Board Committees tabled at the Board Meeting.

6.9 Circular Resolutions

Board resolutions passed by way of circular resolution should be practised sparingly. Circular resolution should not be used to approve complex matters which require rigorous discussion and consideration of the Board. Circular resolutions passed by the Board shall be tabled at the next Board Meeting for the information of the Board.

7.0 BOARD EVALUATION AND DEVELOPMENT

7.1 The Board shall carry out annual board evaluations to objectively assess the performance and effectiveness of the Board, Board Committees and individual Directors. The Board shall dedicate sufficient resources towards the on-going development of the Directors. This should include dedicating an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each Director possesses the knowledge and skills necessary to fulfil his responsibilities.

- 7.2 Newly appointed Director is required to attend the high level Financial Institutions Directors' Education ("FIDE") Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance within one year from his appointment.
- 7.3 On an on-going basis, all guidelines and circulars (excluding administrative circulars) issued by BNM should be circulated to the Board within one month from the date of issuance of the guideline or circular.

8.0 FIT AND PROPER REQUIREMENTS

- 8.1 All Directors must fulfil the criteria of "a fit and proper person" for their appointment as Directors as prescribed under the Financial Services Act 2013 ("FSA 2013") and the BNM's Guidelines on Fit and Proper for Key Responsible Persons.
- 8.2 Any person to be appointed as Director must satisfy the following fit and proper criteria:-
- (i) Probity, personal integrity and reputation - Person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
 - (ii) Competence and capability - Person must possess the relevant knowledge, experience, ability to understand the technical requirement of the business, the inherent risks and the management process required to perform his/her role as a key responsible person in the relevant capacity effectively.
 - (iii) Financial integrity - Person must manage his own financial affairs properly and prudently.
- 8.3 All Directors are required to make an annual declaration that they fulfilled the minimum criteria of "a fit and proper person" as prescribed in Section 59 (1), (2) and (3) of the FSA 2013.

9.0 BOARD PROFESSIONALISM

9.1 Code of Ethics

The Directors' Code of Ethics aims to enhance the standard of corporate governance and corporate behaviour based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility. The Directors' Code of Ethics are as follows:-

- (i) Should have a clear understanding of the aims and purpose, capabilities and capacity of the Company;

- (ii) Should devote time and effort to attend Meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;
- (iii) Should ensure at all times that the Company is properly managed and effectively controlled;
- (iv) Should stay abreast of the affairs of the Company and be kept informed of the Company's compliance with the relevant legislation and contractual requirements;
- (v) Should insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- (vi) Should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each Director is his own judge of his abilities and how best to manage his time effectively in the Company in which he holds directorship;
- (vii) Should have access to the advice and services of the Company Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- (viii) Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;
- (ix) Should disclose immediately all contractual interests whether directly or indirectly with the Company;
- (x) Should neither divert to his own advantage any business opportunity that the Company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- (xi) Should at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties;
- (xii) Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Company is at stake;
- (xiii) Relationship with shareholders, employees, creditors and customers:-
 - Should be conscious of the interest of shareholders, employees, creditors and customers of the Company;
 - Should at all times promote professionalism and improve the competency of management and employees; and
 - Should ensure adequate safety measures and provide proper protection to workers and employees at the workplace.

(xiv) Social Responsibilities and the Environment:-

- Should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
- Should ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities; and
- Should ensure that the activities and the operations of the Company do not harm the interest and well-being of society at large.

9.2 Declaration of Interests

Subject to the requirements of any Acts, rules or regulations that are in force from time to time and in addition to such mandatory requirements, Directors are required to make a declaration at the Board meeting in the event that they have interests in the proposals or subject matters being considered by the Board, including where such interest arises through close family members, in line with various statutory requirements on the disclosure of Directors' interests. A Director who has direct or deemed interest in a proposal or subject matter presented at the Board / Board Committees Meeting shall abstain from deliberation and voting on the said proposal or subject matter.

In ensuring that the decision-making process is transparent and to the best interest of the Company, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Company, any circumstances that may give rise to a conflict of interest situation during the course of carrying out their duties.

10.0 Company Secretary

10.1 The Board should appoint a suitably qualified and competent Company Secretary who can support the Board in carrying out its roles and responsibilities.

10.2 The Company Secretary should not be disqualified under Section 238 of the Companies Act, 2016.

10.3 The Company Secretary should undertake, inter-alia, the following functions:

- (i) Responsible for advising the Directors of their duties and responsibilities and obligations to disclose their interest in securities, prohibition on dealing of securities during the closed period, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related

party transaction as well as disclosure of necessary information as required under the relevant legislations;

- (ii) Preparing the agenda with the Chairman and Chief Executive Officer and notifying all Directors of Board Meetings;
- (iii) Attends all Board and Board Committee Meetings and ensures that all Meetings are properly convened and proceedings of the Board and Board Committee Meetings and decisions thereof are properly recorded, communicating decisions of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee Meetings;
- (iv) Providing full access and services to the Board;
- (v) Assisting the Board with interpreting legal and regulatory acts related to the Code and other related regulations and developments;
- (vi) Advising the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis;
- (vii) Handling Company share transactions and other duties as prescribed under the relevant legislations;
- (viii) Notifying the Chairman of any possible violations of legal and regulatory acts;
- (ix) Ensuring the appointment of new Directors, re-appointment and resignation of Directors are in accordance with the relevant legislations;
- (x) Ensuring execution of assessment for Directors and the Board / Board Committees;
- (xi) Briefing new Directors on organisational structure of the Company and procedures that regulate the operations of the Board;
- (xii) Ensuring availability of information required by new Directors for the proper discharge of their duties;
- (xiii) Assisting the Board and Chairman on the implementation of the Code;
- (xiv) Monitoring compliance with the principles and recommendations of the Code and informing the Board of any breaches; and
- (xv) Ensuring high standard of governance by keeping abreast of the latest enhancement in corporate governance and changes in the legal and regulatory framework.

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

11.0 SUCCESSION PLANNING

- 11.1 The Board is responsible to ensure that candidates appointed to Senior Management positions are of sufficient calibre. The Board should be satisfied that there are programmes in place to provide for the orderly succession of Senior Management.
- 11.2 The Nomination Committee is assigned with the responsibility to oversee the succession planning for the Senior Management.
- 11.3 The Nomination Committee through its annual review of the composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive, Non-Executive and Independent Directors, as well as diversity including gender diversity and other core competencies required by the Company, recommends the Board succession planning for the Board's consideration.
- 11.4 The Board leverages on the Directors' network, shareholders' recommendation and industry database to source for potential candidates for appointment to the Board.

12. SENIOR MANAGEMENT

12.1 Key Responsibilities

The CEO, in leading senior management, bears primary responsibility over the day-to-day management of the Company. The responsibilities of senior management include:

- (a) implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- (b) establishing a management structure that promotes accountability and transparency throughout the Company's operations, and preserves the effectiveness and independence of control functions;
- (c) promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (d) addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- (e) 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 financial institution;

- (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.

12.2 Senior Management Appointments and Removals

- 12.2.1 A member of senior management must fulfil the minimum requirements set out in paragraphs 12.2.2 to 12.2.4 at the time of his appointment and on a continuing basis.
- 12.2.2 A member of Senior Management must not be disqualified under Section 59(1) of the FSA 2013 and must have been assessed to have complied with the fit and proper requirements.
- 12.2.3 A substantial shareholder must not hold a Senior Management position. This serves to preserve an appropriate separation between ownership and management of the Company in line with the broader responsibilities of the Company towards its depositors, investment account holders, policy holders and participants.
- 12.2.4 A CEO must devote the whole of his professional time to the service of the Company unless BNM approves otherwise in writing. BNM may allow a CEO to assume a position of responsibility outside the Company if BNM is satisfied that the proposed position does not:
 - (a) create substantial conflicts of interest or demands on the CEO's professional time; and
 - (b) result in the CEO holding directorships in more than five entities other than the Company.
- 12.2.5 There should be a robust succession plan put in place for Senior Management and the Company should have clearly defined processes for:
 - (a) the appointment and removal of the CEO and senior officers; and
 - (b) assessment of the candidates against the minimum requirements set out in paragraphs 12.2.2 to 12.2.4.
- 12.2.6 Each member of Senior Management must be assessed against the relevant minimum requirements set out in paragraphs 12.2.2 to 12.2.4 at least annually, and as and when the Board becomes aware of information that may materially compromise the individual's fitness and propriety, or any circumstance that suggests that the individual is ineffective, errant or otherwise unsuited to carry out his responsibilities. It is the responsibility of each member of Senior Management to immediately disclose to the Board

any circumstance that may affect his ability to meet the minimum requirements.

12.2.7 The Company should not make an application to BNM to appoint or reappoint the CEO unless the Board is wholly satisfied, based on its objective assessment, that the candidate meets the minimum requirements set out in paragraphs 12.2.2 to 12.2.4.

12.2.8 Unless the written approval of BNM has been obtained–

- (a) the Company should not publicly announce the proposed appointment of the CEO; and
- (b) a CEO whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such a capacity, including by holding himself out as the CEO.

13.0 REVIEW OF BOARD CHARTER

The Board Charter shall be reviewed periodically. Any updates to the principles and practices set out in this Board Charter shall be made available on the corporate website.

Appendix		Attachment
1	Terms of Reference - Board Nomination Committee	
2	Terms of Reference – Board Remuneration Committee	
3	Terms of Reference – Board Risk Management Committee	
4	Terms of Reference – Board Audit Committee	

Approved by the Board on 8th November 2018.