

# SUN LIFE MALAYSIA TAKAFUL BERHAD

(Company No. 200501012215 (689263-M))

## CHARTER OF THE RISK MANAGEMENT COMMITTEE

### 1 Purpose

The Risk Management Committee (the Committee) is a standing committee of the Board of Directors (the Board) whose primary objective is to oversee senior Management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.

### 2 Membership

The Board of Directors shall establish a board risk management committee comprising:-

#### 2.1 Members:

- 2.1.1 at least three directors;
- 2.1.2 a majority of independent directors; be chaired by an independent director; and
- 2.1.3 comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the board committee.

#### 2.2 Permanent Attendees:

- 2.2.1 Chief Executive Officer
- 2.2.2 Chief Financial Officer
- 2.2.3 Chief Risk Officer
- 2.2.4 General Counsel
- 2.2.5 Compliance Officer

### 3 Committee's Duties and Responsibilities

The Committee is responsible for:

#### 3.1 Risk Management

- 3.1.1 reviewing and recommending risk management strategies, policies, risk tolerance and risk appetite for the Board's approval;
- 3.1.2 reviewing at least annually and assessing the adequacy of and compliance with Risk Management Policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- 3.1.3 ensuring adequate infrastructure, resources and systems are in place for an effective risk management e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities, and that the Chief Risk Officer have adequate authority, independence and resources to perform their mandates;
- 3.1.4 reviewing Management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

*SLMT-Charter of the Risk Management Committee*

---

- 3.1.5 reviewing and assessing on matters set out in clauses 6.4 and 6.5 in the Shareholders Agreement, as recommended by the Executive Committee, for the Board's approval. Details on matters set out in clauses 6.4 and 6.5 in the Shareholders Agreement are available in **Appendix 1**;
- 3.1.6 monitoring the performance of the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO) and the Investment Committee (IC) within the context of the Company's strategy, risk appetite and charter of the respective Committees;
- 3.1.7 reviewing and assessing the results of the stress and scenario testing, before endorsing for approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plan by the senior management in addressing the identified risks;
- 3.1.8 reviewing annually key risk-related issues incorporated into the business plan;
- 3.1.9 reviewing management's actions related to product design through the processes set out in the Risk Management Policies.
- 3.1.10 In assisting the implementation of a sound remuneration system and without prejudice to the tasks of the Remuneration and Nomination Committee, examining whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

### **3.2 Compliance**

- 3.2.1 reviewing at least annually and approving changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- 3.2.2 reviewing at least annually the adequacy of and compliance with the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risk, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption and fraud;
- 3.2.3 reviewing quarterly compliance reports presented to the Committee with respect to, among other things, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Company's compliance risks and programmes; and

### **3.3 Governance**

- 3.3.1 reviewing, at least annually, and approving changes to the statements of mandate, responsibility and authority of the Chief Risk Officer.

## **4 Authority**

The Committee is authorised by the Board:

- 4.1 to approve the Charter of the ERMC, the ALCO and the IC, including delegated responsibility to manage the risk profile of the Company; and
- 4.2 to request and receive any management information required to support its risk management oversight activities, as well as to invite any person to be in attendance or seek the advice of professionals in specific areas of expertise it considers necessary in carrying out its duties.

- 4.3 to provide overall oversight on IT related matters including ex-ante risk assessments on IT applications and to designate Senior Management (C-Suite level) to be responsible for the overall IT risk controls and security.

## **5 Structure and Operations**

### **5.1 Frequency of Meetings**

The Committee should hold regular meetings, at a minimum once every quarter and should report regularly to the full Board.

In absence of a meeting, issues shall be resolved by way of circular resolutions. The circular resolutions may consist of several documents in the same form, each executed by one or more of the members of the Committee. Any such resolutions may be transmitted by the members of the Committee via facsimile transmission or email to the Secretary.

### **5.2 Private Session**

The Committee holds a private session with the Chief Risk Officer, as well as a joint session with the General Counsel and the Compliance Officer, and each of these has unrestricted access to Committee members between meetings. The Committee holds a private session at each regularly scheduled meeting of the Committee for members only.

### **5.3 Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

All decisions at meetings of the Committee shall be decided by a simple majority.

### **5.4 Secretary**

The Company Secretary or their nominee shall act as the Secretary of the Committee

### **5.5 Other**

On an annual basis, the Committee will review the Charter and where necessary, recommend the changes to the Board of Directors for approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee.

The Chair of the Committee is consulted in advance in connection with the appointment, reassignment, replacement and dismissal of the Chief Risk Officer and annually on the performance assessment and compensation awarded to them.

- END -

## MATTERS SET OUT IN CLAUSES 6.4 AND 6.5 IN THE SHAREHOLDERS AGREEMENT

➤ **Matters set out in clauses 6.4 and 6.5 in the Shareholders Agreement.**

**6.4 Majority decisions** - must be approved by the **executive committee** before being tabled to the **risk management committee** and **subsequently the Board** for deliberation and approval

The following matters require the **affirmative vote of at least 1 non-independent Director nominated by each Shareholder**:

- (a) **Capital expenditure:** capital expenditure in any financial year exceeding:
  - 120% of the limit set in the annual budget in respect of any one line item;
  - a total of 120% of the limit set in the annual budget in respect of a series of related line items; or
  - any other amount set under clause 6.6
- (b) **Borrowing:** any borrowing by the Company resulting in a total exceeding 120% of the borrowing limit set in the annual budget.
- (c) **Loans:** the provision of any loan to any person, other than those provided in the ordinary course of the Business.
- (d) **Guarantees:** the Company entering into or becoming liable under any guarantee or indemnity, or similar arrangement under which the Company may incur liability, in respect of the financial obligation of any other person, other than, subject to other sub-paragraphs in this clause 0, those entered into or under which the Company becomes liable in the ordinary course of the Business.
- (e) **Encumbrance:** the creation of an Encumbrance over any asset of the Company for the benefit of any other person.
- (f) **Litigation:** any decision to commence, defend or compromise any litigation or other similar procedure other than in the ordinary course of the Business involving debt collection or except where legal advice is given to the Company that the defence of an action shall be undertaken on an urgent basis or that an urgent application for injunctive relief or other interim order for preservation shall be made, in which case the Directors shall be notified before or at the next subsequent Board meeting.
- (g) **Change in Business:** the carrying on by the Company of any business other than the Business, any material alteration in nature of the scope of the Business and, other than in the case of clause 17.5, the acquisition of any business or the entry into of any new business and consequently any changes to the organisational structure of the Company.
- (h) **Registered office:** any change to the registered office of the Company.
- (i) **Related party business:** the entering into of any contracts or arrangements between the Company and: (i) a Shareholder; (ii) a Director or persons connected to a Director; or (iii) a related company or associated company of a Shareholder, other than in the ordinary course of the Business and on arms' length terms.
- (j) **Onerous contracts:** the entry by the Company into any contract, commitment or arrangement outside the ordinary and normal course of Business or otherwise than on arms' length terms, or of any contract or arrangement which is, or is likely to be, material or the making of any payment by the Company other than on an arms' length basis, or which is of an unusual or onerous nature.
- (k) **Joint ventures:** the entry into of any joint venture or partnership with any party, or any profit sharing arrangement.
- (l) **Brand:** any registration or change to the branding or trademark of the Company.
- (m) **Accounting Policies:** any change to the accounting policies of the Company.
- (n) **Shareholders' reserve matters:** any matter listed in clause 7.4

**6.5 Significant KNB decisions** - must be approved by the **executive committee** before being tabled to the **risk management committee** and subsequently the **Board** for deliberation and approval

The following matters require the **affirmative vote of the Khazanah National Berhad Appointee**:

- (a) **Business plans**: adoption of any business plan, investment plans and policies or capital plans for the Company and any material deviation from the then prevailing plan.
  - (b) **Auditors/Company Secretary**: the appointment or change of the Auditors or company secretary of the Company.
  - (c) **Financial statements**: the adoption of the financial statements of the Company.
  - (d) **CEO**: the appointment or removal of the Chief Executive Officer of the Company.
  - (e) **Dividend policy**: the adoption or amendment of the dividend policy of the Company.
- **Matters set out in other clauses made reference by clauses 6.4 and 6.5 in the Shareholders Agreement.**

#### **6.6 Amendment of financial limits**

Each of the financial limits referred to in clause 6.4 can be amended by the written agreement of all the Shareholders.

**7.4 Reserved matters**- must be approved by the **executive committee** before being tabled to the **risk management committee** and **subsequently the Board** for deliberation and approval

Notwithstanding any contrary provision in the Company's Memorandum and Articles of Association or the Companies Act, the following matters require the affirmative vote of every Shareholder:

- (a) **Liquidator**: the taking of any steps to: (i) invite any person to appoint a receiver or receiver and manager of the whole or part of the Business or assets of the Company; (ii) obtain a judicial management order in respect of the Company; or (iii) dissolve, liquidate or wind up the Company, or do anything similar or analogous to those steps in any jurisdiction.
- (b) **Constitution**: any alteration to the Company's Memorandum and Articles of Association.
- (c) **Shares**: any re-organisation or alteration to the share capital of the Company or the rights conferred by the Shares or any Securities.
- (d) **Merger**: any merger, reconstruction, consolidation or amalgamation of the Company with any other company or other person.
- (e) **Name**: changing the name of the Company.
- (f) **New issues**: the issue of Shares, Securities, debentures, notes or other equity or debt Securities of the Company and the terms of any such issue.
- (g) **Capital reduction**: any repurchase, cancellation, redemption or reduction of share capital in the capital of the Company.
- (h) **Listing**: listing of the Company on any stock exchange and any subsequent listing of any equity or debt securities of the Company on any stock exchange.
- (i) **Directors' remuneration**: any remuneration to be paid to the Directors.
- (j) **Dividends**: the declaration of any dividend (interim or final, cash or in specie) or other distribution of profits, assets or reserves in excess of the prevailing dividend policy of the Company.

- (k) **Disposal of Business:** the Disposal by the Company of any part of its undertaking not being in the ordinary course of the Business.
- (l) **Acquisition:** other than in the case of clause 17.5, the acquisition of any equities, securities or other forms of investments or assets by any means (including, without limitation, by lease or licence), other than those acquisitions made in the ordinary course of the Business.

## 17. Competition

### 17.1 Undertakings

- (a) For the purposes of clause 17.1 the expression “competitive with the Business” includes competition in a small part of the Business or competition in peripheral products or lines of business.
- (b) A shareholder shall not, and shall ensure that none of its related companies (including ACR ReTakaful Berhad, which will in Malaysia only carry out retakaful and reinsurance business) shall, carry out any of the following without first obtaining the written consent of the other Shareholder:
  - (1) directly or indirectly through its subsidiaries carry on (whether alone or in partnership or joint venture with anyone else) or won a substantial interest (10% or more) in or exercise management control of any business in Malaysia similar to or competitive with the Business for so long as it is a Shareholder.
  - (2) solicit or persuade any person or corporation which is a customer or client of the Company or the Business, to cease doing business with the Company or in respect of the Business or reduce the amount of business which the customer or client would normally do with the Company or in respect of the Business for so long as it is a Shareholder.
  - (3) accept from a customer or client referred to in clause 17.1 (b)(2) any business of the kind ordinarily forming part of the Business for so long as it is a Shareholder.
  - (4) at any time induce or attempt to induce any person who is an employee of the Company to terminate his or her employment with the Company for so long as it is a Shareholder.
- (c) Subject to clause 17.5, nothing in clause 17.1(b) shall restrict RVSB from acquiring any entity carrying on a business similar to or competitive with the Company’s pursuant to a directive from the Government of Malaysia (through any ministry) to assist in a bail-out of an insurance company or to acquire assets from distressed companies in ensuring the stability of the financial sector of Malaysia (**Acquired Entity**).

### 17.5 Conditions to Acquisition

If RVSB is directed to acquire an entity under clause 17.1(c), the following will apply as conditions to any such acquisition (subject to approval of the Government of Malaysia and Bank Negara Malaysia (if applicable):

- (a) RVSB will notify the Company and SLA as soon as it becomes aware of any directive described in clause 17.1(c), and as soon as practicable thereafter RVSB will arrange to provide the Company and SLA with business, financial and other information concerning the entity as the Company may reasonably request.
- (b) RVSB hereby irrevocably grants to the Company the right to purchase such entity (Purchase Right) at Fair Value.

- (c) RVSB and SLA will jointly negotiate in good faith and in a commercially reasonable manner the other terms of purchase of the entity, and will use commercially reasonable efforts to structure the purchase in a manner to maximize the tax and other advantages to the Company, consistent with the Government of Malaysia's direction.
- (d) SLA will be entitled for a period of 3 months following receipt of all information reasonably necessary for it to diligence and otherwise assess the merits of an investment in the entity to determine whether the Company shall exercise the Purchase Right.
- (e) The Company shall within the 3 months period mentioned in clause 17.5(d) notify RVSB in writing on whether the Company elects to exercise the Purchase Right.
- (f) If:
  - (1) The Company elects not to exercise the Purchase Right or does not exercise the Purchase Right in accordance with clause 17.5(e); or
  - (2) The Government of Malaysia and Bank Negara Malaysia approval (if required) is not received for the sale to the Company, the Company will cease to have any right to an interest in the entity and RSVB may purchase the entity provided that the Company will be entitled to preferential treatment as described in clause 17.6 with respect to that entity.

- END -