

SUN LIFE MALAYSIA TAKAFUL BERHAD

Registration No. 200501012215 (689263-M)

CHARTER OF THE BOARD OF DIRECTORS

This Charter sets out:

- a) The duties and responsibilities of the Board of Directors (the Board);
- b) The position description for Directors;
- c) The position description for the Chairman of the Board (the Chairman);
- d) The position description for Chairs of Board Committees; and
- e) The corporate governance practices and policies that apply to the Board.

1. Mission

The mission of the Board is to be a strategic asset of the organization measured by the effective execution of its overall stewardship role and the contribution the Directors make individually and collectively to the long-term success of the enterprise.

2. Membership

- 2.1 The Board must have a majority of Independent Directors at all times;
- 2.2 The Board must not have more than one (1) Executive Director, unless Bank Negara Malaysia (BNM) approves otherwise in writing; and

subject always to the prior written approval of BNM.

3. Structure and Operation**3.1 Frequency of Meetings**

A schedule of regular Board meetings will be circulated to the Directors prior to the commencement of a calendar year. Confirmation of the date, time and place of regular meetings will be sent to the Directors approximately three (3) weeks in advance of regularly scheduled meetings. Special meetings may be called with 24 hours' notice.

3.2 Resolutions

All resolutions at meetings of the Directors shall be decided by a simple majority, except those decisions set out in clauses 6.4 and 6.5 of the Shareholders Agreement.

In the absence of a meeting, issues shall be resolved by way of circular resolutions and decisions shall be unanimous. 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 email to the Secretary or any other appropriate means.

3.3 Quorum

- a) The quorum for a meeting of Directors (**1st Meeting**) shall be at least such number of Directors constituting a majority of the Directors then appointed, including at least 1 Non-independent Director nominated by each Shareholder (**Quorum Requirement**) (unless such Quorum Requirement is waived in writing (including via e-mail) by the Shareholder with respect to the presence of its nominated Director at any particular meeting of Directors and delivered to the Company Secretary). For the avoidance of doubt, the 1st Meeting may proceed without the Quorum Requirement in relation to a Shareholder if such waiver is provided by the Shareholder.
- b) If within 30 minutes of the time appointed for the 1st Meeting a quorum is not present, the 1st Meeting shall be automatically adjourned (**1st Adjourned Meeting**) to 10 Business Days later at the same time and place, and at such 1st Adjourned Meeting the quorum shall be also the Quorum Requirement (unless such quorum requirement is waived in writing (including via e-mail) by the Shareholder with respect to the presence of its nominated Director at such 1st Adjourned Meeting and delivered to the Company Secretary). For the avoidance of doubt, the 1st Adjourned Meeting may proceed without the Quorum Requirement in relation to a Shareholder if such waiver is provided by the Shareholder.
- c) If within 30 minutes of the time appointed for the 1st Adjourned Meeting of Directors a quorum is not present, that meeting shall be automatically adjourned (**2nd Adjourned Meeting**) to 20 Business Days after the 1st Meeting at the same time and place, and the quorum for such 2nd Adjourned Meeting shall be such number of Directors constituting a majority of the Directors then appointed.
- d) The Directors shall ensure that the meeting of Directors, if adjourned, are rescheduled in a timely manner in accordance with the requirements outlined above to ensure compliance with paragraphs 9.2, 9.3, 9.4, 9.5 and 10.3 of the Bank Negara Malaysia Policy Document on Corporate Governance.

4. Duties and Responsibilities of the Board

The Board is responsible for supervising the management of the business and affairs of the Company. The Board performs the following overall stewardship responsibilities either directly or through its Committees. However, it remains fully accountable for any authority delegated to the Committees. The Board has clearly outlined matters that require Board approval and those that have been delegated to management.

4.1 Board

- 4.1.1 Planning the Board and Committee size and composition, establishing Board Committees and Shariah Committee and the appointment of its members and determining Director's compensation.
- 4.1.2 Maintaining formal orientation program for new Directors and ongoing education programs for all Directors.
- 4.1.3 Establishing corporate governance practices and policies.
- 4.1.4 Assessing its effectiveness, the effectiveness of its Committees, the effectiveness of the Chairman, the effectiveness of Committee Chairs, and the effectiveness including the fitness and proper criteria of individual Directors on an annual basis.
- 4.1.5 Oversee the sustainability strategy of the Company and incorporate Environmental, Social and Governance (ESG) and climate-related considerations when reviewing and approving the business strategy.

4.2 Senior Management

- 4.2.1 Selecting, evaluating and if necessary, replacing the Chief Executive Officer (CEO) and other members of Senior Management, including the Appointed Actuary.
- 4.2.2 Delegating to Senior Management, powers to manage the Company.
- 4.2.3 Overseeing succession planning for Senior Management positions.
- 4.2.4 Approving the compensation of Senior Management.
- 4.2.5 Advising and counselling the CEO.
- 4.2.6 Reviewing and approving the organizational structure as and when necessary.

4.3 Ethics and Integrity

- 4.3.1 Setting an ethical tone for the Company.
- 4.3.2 Satisfying itself that Senior Management is sustaining a culture of integrity throughout the organization.
- 4.3.3 Approving amendments to the Company's Code of Conduct.
- 4.3.4 Complying with and reviewing employee compliance with the Company's Code of Conduct and promptly disclosing any waivers of the Company's Code of Conduct for Directors or Senior Management.

4.4 Strategy

- 4.4.1 Approving the Company's vision and mission statements.
- 4.4.2 Reviewing the effectiveness of the strategic planning process, with considerations on ESG and climate-related matters.
- 4.4.3 Approving business objectives and strategic, capital and financial plans on an annual basis.
- 4.4.4 Monitoring corporate performance against these statements, objectives and plans on an ongoing basis.

4.5 Risk Management, Capital Management and Internal Control

- 4.5.1 At a minimum, on an annual basis, approving policies and procedures for the management and control of risk and capital, and regularly reviewing compliance with those policies and procedures.
- 4.5.2 Reviewing the internal control and management information systems that provide reasonable assurance as to the reliability of the Company's financial information and the safeguarding of its assets for compliance with legislative and regulatory requirements.

4.6 Material Transactions

- 4.6.1 Reviewing and approving material investments and transactions.

4.7 Financial Reporting

- 4.7.1 Reviewing and approving the annual and interim financial statements.

4.8 Communication and Disclosure

- 4.8.1 Overseeing the reporting of financial and non-financial (e.g. ESG and climate-related risks) results to Shareholders and other stakeholders on a timely basis.
- 4.8.2 Reviewing and, when appropriate, approving policies with regard to public disclosure, confidentiality of information and securities trading.

4.8.3 Enabling Shareholders to provide feedback to the Independent Directors.

4.9 Others

- 4.9.1 Engaging any special advisors, it deems necessary to provide independent advice at the expense of the Company.
- 4.9.2 Performing such other functions as prescribed by Law or as assigned to the Board in the Company's governing documents.
- 4.9.3 On an annual basis, the Board shall review this Charter and its Forward Agenda and approve changes where necessary.

5. Position Description for Directors

The Board is responsible for managing or supervising the management of the business and affairs of the Company. Each Director participates in fulfilling the Board's stewardship role by acting honestly and in good faith with a view to the best interests of the Company (fiduciary duty) and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care).

5.1 Duties and Responsibilities

Principal duties and responsibilities of each Director include:

- 5.1.1 Acting in the highest ethical manner and with integrity in all personal, business and professional dealings.
- 5.1.2 Compliance with the Company's Code of Conduct and maintaining the confidentiality of corporate information and Board deliberations.
- 5.1.3 Understanding the Company's vision and strategic objectives.
- 5.1.4 Becoming knowledgeable of the Company's businesses within a reasonable time of joining the Board.
- 5.1.5 Understanding the Company's current corporate governance policies and practices, and the Charters of the Board and of each Committee on which he or she serves.
- 5.1.6 Preparing thoroughly for each Board and Committee meeting by reviewing the materials sent to Directors in advance of meetings.
- 5.1.7 Attending Board and Committee meetings, and actively participating in deliberations and decisions in an objective manner that demonstrates independence from management.
- 5.1.8 Ensuring himself or herself be updated of significant matters dealt with at meetings not attended.

5.2 Director Attributes

The Board believes that each Director should exhibit the following characteristics while executing his or her duties:

- (i) Integrity;
- (ii) Accountability;
- (iii) Independent and informed judgment;
- (iv) Commitment;
- (v) Knowledge of business issues and financial matters; and
- (vi) Ability to communicate openly and work effectively with fellow Directors and management.

In addition, certain regulatory criteria apply to Directors related to independence, financial, compensation and risk management literacy, and assessment of suitability and integrity.

In the Board's judgment, a member of the Audit Committee is financially literate if, after seeking and receiving any explanations or information from senior financial management or the external auditor of the Company that the member requires, the member is able to read and understand the consolidated financial statements of the Company to the extent sufficient to be able to intelligently ask, and to evaluate the answers to, probing questions about the material aspects of those financial statements.

6. Position Description for Chairman

The Chairman of the Board shall be an Independent Director nominated by Renggis Ventures Sdn Bhd (RVSB). He/she will serve as the Chairman/Chairperson and assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chairman also manages the affairs of the Board so as to assist the Directors in carrying out their responsibilities and enhance the effectiveness and cohesion of the Board as a whole.

6.1 Duties and Responsibilities

The principal duties and responsibilities of the Chairman include:

- 6.1.1 Ensuring that the respective responsibilities of the Board and those of Management are well understood, and that the boundaries between Board and Management responsibilities are respected.
- 6.1.2 Communicating the expectations of the Independent Directors to Management.
- 6.1.3 Assessing the sufficiency of the resources available to the Board and its Committees, including the scope, timeliness and relevance of available information. The Chairman is responsible, in consultation with the other members of the Nomination and Remuneration Committee (NRC), for ensuring that the Independent Directors are appropriately compensated in their capacities as Directors of the Company.
- 6.1.4 In conjunction with the CEO, setting the Board agenda, chairing the Board meetings, ensuring that there is adequate time at Board meetings for discussion of relevant issues and fostering an atmosphere conducive to open discussion and debate.
- 6.1.5 In conjunction with the CEO, setting the agenda for the Annual General Meeting and any Extraordinary General Meetings of Shareholders or voting policyholders and acts as the chair of those meetings.
- 6.1.6 In conjunction with the NRC, evaluating the performance of individual Independent Directors and the Chairs of each Committee as part of an annual peer review process. The Chairman meets individually with each Independent Director at least annually to discuss individual performance.
- 6.1.7 Evaluating the performance of the CEO and reporting on the evaluation to the Independent Directors with the NRC annually. The Chairman is also responsible for ensuring, in conjunction with the CEO, that appropriate human resource management practices (including succession, development and compensation plans) are in place for Senior Management.
- 6.1.8 In conjunction with the NRC, determining the competencies, skills and qualities required or best suited from time to time to complement the diversity of the current Board composition and identifying prospective Board candidates. The Chairman is responsible for approaching and interviewing prospective candidates, and for recommending prospective Directors to the NRC for its review and subsequent recommendation to the Board.

- 6.1.9 Overseeing the orientation and training program for new Directors and the ongoing education program for all Directors.
- 6.1.10 Engaging, at the expense of the Company, outside advisors for the Independent Directors, the Board or Board Committees, as required.
- 6.1.11 Communicating from time to time with Shareholders, representatives of the Company's regulators and rating agencies, and with corporate governance-focused councils, coalitions and similar bodies, to discuss governance-related matters. In exceptional circumstances, where it is inappropriate for the CEO to communicate, or otherwise after prior consultation with the CEO, it may be necessary for the Chairman to communicate with the media about the affairs of the Company. These circumstances would normally be limited to Board matters or matters relating to the CEO (for example, compensation or succession). The Chairman will report on all such communications to the Board at its next regular meeting unless timelier reporting is advisable.

7. Position Description for Committee Chairs

The Chair of a Board Committee is responsible for providing leadership to enhance effective and independent functioning of the Committee in order that the Committee may fulfil its duties and responsibilities as outlined in the Committee Charter.

7.1 Duties and Responsibilities

The principal duties and responsibilities of each Committee Chair include:

- 7.1.1 Reviewing and approving the agenda for each meeting of the Committee. The Committee Chair may consult or meet with the Chairman, other Committee Chairs, members of management or other advisors as part of the agenda and meeting preparation process.
- 7.1.2 This agenda setting process includes determining the appropriate treatment of significant matters that may have ramifications involving more than one Committee.
- 7.1.3 Chairing Committee meetings, ensuring that there is adequate time at Committee meetings for discussion of relevant issues and for the Committee members to meet privately.
- 7.1.4 Reporting to the Board on the Committee's activities following each meeting and presenting recommendations to the Board on matters that require Board approval.
- 7.1.5 Leading an annual review of the adequacy of the Committee Charter.
- 7.1.6 Leading an annual evaluation of the effectiveness of the Committee.

8. Corporate Governance Policies and Practices

8.1 Director Election and Tenure

Each year, 1/3 of the Directors shall retire from office at the Annual General Meeting, and being eligible, may offer themselves for re-election at the Annual General Meeting.

Directors appointed during a financial year hold office until the next Annual General Meeting and if eligible, may offer themselves for re-election at the Annual General Meeting. A Director who is up to retirement by rotation but does not offer himself for re-election shall retire at the conclusion of the Annual General Meeting.

A Director who is a member of Management must resign from the Board when he or she leaves an active employment with the Company or its affiliates.

8.2 Change of Occupation

Directors whose principal employment or other business or professional circumstances change materially from that which they held when elected to the Board (including retirement from their principal employment) must notify the Chairman of the NRC and tender a written offer to resign for acceptance or rejection by the Board, however, an opportunity should be given to the Board to review the continued appropriateness of Board membership under the revised circumstances.

8.3 Restriction on Directorships

To avoid a conflict of interest, a Director of the Company shall not serve as a Director in another company that is carrying on the same class of business, or in an insurance broker.

To ensure that the CEO must devote the whole of his/her 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 financial institution.

A Director of the Company shall not simultaneously serve on the Board of more than 15 companies (including the Company).

The Chairman of the Board should be in a non-executive capacity and should not have an executive position or responsibility at the parent or related institutions.

8.4 Independent Director

Independent Director refers to a Director who is described as being independent in accordance with the provision in the Corporate Governance Policy Document of BNM.

The Board must determine whether an individual to be appointed as an Independent Director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an Independent Director if he or any person linked to him:

- (a) has been an executive in the last two (2) years;
- (b) is a substantial shareholder of the Company or any of its affiliates; or
- (c) has had a significant business or other contractual relationship with the Company or any of its affiliates within the last two (2) years.

For purposes of the above, "significant business or other contractual relationship" shall have the meaning as any profit business transaction (other than transactions relating to the takaful products offering) of a value exceeding RM1 million with the takaful operator, whether with other persons or through a firm or company in which he is a partner, director or major shareholder. However, "transactions" as stated above shall exclude transactions entered into: -

- (i) for personal use of the said director; or
- (ii) for personal investment of the said director other than for the purpose of carrying on a trade or business, provided that such transactions are on normal commercial terms.

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, such Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Where upon assessment by the NRC, there is strong justification for such Director to remain as an Independent Director, the Board may justify and make recommendation of the same to the Shareholders for their approval.

The tenure starts from the time the individual is first appointed as an Independent Director of the Company. The Company should seek shareholders' approval at the nearest Annual General Meeting before the Director reaches the nine-year term limit. Shareholders' approval should be sought annually after the nine-year term limit.

The written approval of BNM must be obtained before—

- (a) the Company removes an Independent Director; and
- (b) an Independent Director resigns from his/her position.

8.5 Orientation for New Directors

The Company is required to develop in-house orientation and education programmes which should be attended by the newly appointed Directors to familiarise them with the insurance industry and the Company within three (3) months of the appointment. The orientation and education programmes should cover at a minimum of the following areas: -

- (i) the nature of the business;
- (ii) the corporate strategy of the company;
- (iii) duties and responsibilities of a director and the Board as a whole;
- (iv) an overview of risks of the business and the risk management strategy of the company;
- (v) legal requirement and compliance controls of the company; and
- (vi) an overview of the financial health of the company.

Newly appointed Directors should also satisfy the conditions and requirements imposed by BNM, such as attending mandatory training programmes within the stipulated timeframe, as stated in the letter of approval.

8.6 Continuing Education for Directors

The Company provides ongoing business and education sessions for Directors to enhance their knowledge of the organization, its businesses and key executives, and to address ongoing and emerging issues in the functional areas of Board oversight. Directors may participate in outside professional development programs approved by the Chairman, at the expense of the Company.

8.7 Interaction with the Media

The Board believes that it is the responsibility of management, rather than Directors, to speak on behalf of the Company. From time to time, Directors may be requested by the media, or by institutional investors, shareholders, customers or certificate holders, to discuss certain issues on behalf of the Company. Any Director to whom such a request is made should review the request with the Chairman and the CEO before responding.

8.8 Conflict of Interest

The Directors must keep the Board advised, on an on-going basis, of any interest whatsoever, whether directly or indirectly, in a contract or proposed contract with the Company in accordance to the requirements of any Acts, rules, regulations or guidelines including the Company's Code of Conduct, that are in force from time to time, that could lead to a conflict of interest situation.

In the event of the occurrence of a conflict of interest situation, the particular Director:

- (i) Shall declare his/her interests;
- (ii) Shall not be present at the meeting when the matter is being considered;
- (iii) Shall not participate in any discussion or deliberation or decision on the matter; and
- (iv) Shall not vote in respect of the matter.

The Company Secretary shall be responsible for maintaining updated records on each Director's conflicts of interest and report them to the Board as necessary.

8.9 Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF)

In governing TRMF and CRF derived from BNM's Risk Management in Technology (RMiT) requirements, the roles and responsibilities of the Board: –

- (i) Approve the technology risk appetite aligned with SLM's risk appetite statement;
- (ii) Approve the technology risk tolerances, ensure key performance indicators and forward-looking technology risk indicators are in place to monitor SLM's technology risk against its approved risk tolerance;
- (iii) Ensure Senior Management provides regular updates on the status of the indicators together with detailed information on key technology risks (i.e. reporting through the *Appendix 1: Technology Risk Assessment Score Card*) and critical technology operations to facilitate strategic decision-making;
- (iv) Oversee the effective implementation of the TRMF and CRF to ensure the TRMF and CRF remains relevant, updated, and reviewed at minimum, once every three (3) years;
- (v) Oversee the IT and cybersecurity strategic plans covering at minimum, a period of three (3) years; and
- (vi) Designate the Risk Management Committee to support the Board in providing oversight over technology-related matters, reviews the technology-related framework on an annual basis, and ensures that risk assessments undertaken in relation to material technology applications submitted to BNM are comprehensive.
- (vii) Ensure continuous engagement in cybersecurity, preparedness, education and training.

8.10 Shariah Governance

- 8.10.1 The Board must institutionalise a robust Shariah governance framework aligned with Value Based Intermediation for Takaful ("VBIT") practices that is commensurate with the size, complexity and nature of the company's business. The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of the company. In fulfilling this role, the Board must: –

- (i) 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;
- (ii) oversee the implementation of SAC rulings and decisions or advice of the Shariah committee, including on the integration of VBIT practices, within all business and functional lines, including any business or risk implications arising from such implementation;
- (iii) oversee the implementation of the internal control framework to prevent Shariah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance;
- (iv) oversee the performance of senior management and other officers entrusted to implement Shariah governance framework such that the board is satisfied that the measures of their performance are aligned with Shariah governance objectives; and
- (v) promote a sound corporate culture which 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.

8.10.2 A Director must continuously develop and strengthen his knowledge and understanding on Islamic finance, as well as keep abreast with developments that may impact Islamic financial business, to fulfil his responsibility to the Islamic Financial Institutions (IFI).

8.10.3 Interaction with the Shariah Committee (SC)

The Board must have due regard to any decisions or advice of SC on any Shariah issues relating to the operations, business, affairs or activities of the Company. This duty requires the Board to: –

- (i) give sufficient attention to the facts, rationale and basis for any decisions or advice of the SC before arriving at its own decision;
- (ii) give fair consideration to the implications of implementing any decisions or advice of the SC;
- (iii) put in place conflict resolution mechanism to deal with any differences in views between the Board and the SC; and
- (iv) maintain a record of deliberations between the board and the SC in matters where the differences in views exist, and its resolution.

8.10.4 The Board must take reasonable steps to ensure that the SC is free from any undue influences that may hamper the SC from exercising its professional objectivity and independence in deliberating issues brought before them.

8.10.5 The Board must establish a written policy to identify, assess and manage any conflicts of interest arising from any additional activities or services performed by the SC member for the IFI, or his other external professional commitments. This shall include policies relating to the involvement of a SC member in the provision of consultancy services to any clients of the IFI, with or without remuneration.

8.10.6 The Board must establish effective communication with the SC on all matters relating to Shariah requirements, Shariah governance or Shariah non-compliance risks to enable both parties to effectively discharge respective responsibilities under the Shariah governance framework. The Board must regularly review the quality and frequency of its engagement with the SC.

- 8.10.7 The Board must allocate sufficient resources for continuous development of skills and expertise of the SC. This shall include allocating adequate budget, having in place development plans for SC members and regularly updating such plans to ensure that each member possesses the requisite knowledge and skills to fulfil his responsibilities.
- 8.10.8 The Board must establish a formal process to assess, at minimum annually, performance and effectiveness of the SC and every SC member. The assessment must consider the competence, knowledge and contribution of each SC member to the overall functioning of the SC.
- 8.10.9 The Board must approve a remuneration policy that is commensurate with the accountabilities, duties and responsibilities of the SC.
- 8.10.10 In the event that the Board delegates any of its responsibilities to the SC, the Board must: –
- (i) ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the Board and the SC's Charter;
 - (ii) establish reporting arrangements to be kept informed of the SC's work, key deliberations and decisions on delegated matters; and
 - (iii) remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
- 8.10.11 Appointment, Cessation and Disqualification of SC members (SCM)

The Board is encouraged to appoint a SCM as a Board Member. The SCM appointed is expected to foster closer integration of Shariah governance consideration within the business and risk strategy of the company.

The Board must establish and regularly review succession plans for the SCM. Such process must involve assessment of candidates against the minimum requirements set out in policy documents.

The Board must establish a rigorous process for the appointment, reappointment and cessation of SCM. Such process must involve assessment of candidates against the minimum requirements set out in policy documents.

- END -