AIA PUBLIC TAKAFUL BHD.
(Company Registration No. 201101007816 (935955-M))

BOARD CHARTER

(Revised: 24 May 2024)

Version Control

Version	Amendments	Date	Approved by
1.0	New Release	13 June 2012	Board
1.1	First Revision • Inclusion of additional provisions in line with Bank Negara Malaysia's Guidelines on Risk Governance, Guidelines on Directorship for Takaful Operators and the Companies Act 1965.	24 September 2013	Board
2.0	Revamp and enhance • Adopted AIA Bhd.'s latest version with the following consideration: - Ensure that the requirements under Bank Negara Malaysia's Corporate Governance Policy Document are covered - Include additional takaful specific provision - Harmonize with the Company's Memorandum and Articles of Association as well as the Shareholders' Agreement	21 November 2016	Board
3.0	First Revision • To include a Policy on the maximum number of Directors' external professional commitments	20 February 2018	Board
4.0	Second Revision • To align the Charter with the provisions of Companies Act 2016	28 June 2018	Board
5.0	Third Revision • To align the Charter with the provisions of Shariah Governance Policy Document issued by Bank Negara Malaysia	18 May 2020	Board
6.0	Fourth Revision • Updated paragraph 5.3: the practice of Shariah Committee representative attending Board meeting is on optional basis based on needs	24 May 2023	Board

7.0	Fifth Revision • New Added paragraph 4.1.13 to the responsibility of the Board as this subject matter is related to the Board's conflict of interest.	24 May 2024	Board

1. OBJECTIVE

1.1. The objectives of the Board Charter are to ensure that all Board members are aware of their duties and responsibilities, and the various legislation and regulations affecting their conduct and to ensure that the principles of good governance are applied in all their dealings in respect and on behalf, of the Company.

2. COMPOSITION

2.1. Size of the Board

2.1.1 The Board should consist of a minimum of seven (7) Directors.

2.1.2 The Board is discouraged from having more than seven (7) Directors. However, a maximum of ten (10) Directors may be allowed, provided the additional Directors are Independent Directors.

2.1.3 The Board of the Company must not have more than one (1) Executive Director, unless Bank Negara Malaysia (the Bank) approves otherwise in writing after being satisfied that the additional appointment will not compromise board effectiveness, having regard to:

2.1.3.1 the extent of his involvement in making or implementing management decisions that are subject to the Board's oversight;

2.1.3.2 the degree to which his incentives are influenced by the performance of the Company;

2.1.3.3 the effectiveness of the Non-Executive Directors in providing a counterbalance to the collective influence of executives on the Board; and

2.1.3.4 the significance and uniqueness of the contribution that the candidate is expected to bring to the Board.

2.1.4 The majority of Non-Executive Directors should comprise Independent Directors.

2.2. Minimum Requirements

2.2.1. A Director must not-

2.2.1.1. be disqualified under section 59(1) of the Financial Services Act 2013 or section 68(1) of the Islamic Financial Services Act 2013, and must have been assessed by the Nominating Committee to have complied with the fit and proper requirements.

2.2.1.2. have competing time commitments that impair his ability to discharge his duties effectively. For this purpose, a director shall not have external professional commitments exceeding the maximum number considered acceptable by the Board or as specified in any policy issued by the Board, commensurate with the responsibilities placed on the Director, as well as the nature, scale and complexity of the Company's operations.

2.2.1.3. be an active politician.

2.2.2. 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 must not serve or be appointed as a Director of the Company until at least two (2) years after–

2.2.2.1. he ceases to be an officer or partner of that firm; or

2.2.2.2. the firm last served as an auditor of the Company.

2.2.3. Each Director must be assessed against the minimum requirements 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 circumstance that suggest that the Director is ineffective, errant or otherwise unsuited to carry out his responsibilities.

2.2.4. A Director must immediately disclose to the Board any circumstance that may affect his ability to meet the minimum requirements.

2.3. Chairman

2.3.1. The Chairman of the Board must not be an executive, and must not have served as a Chief Executive Officer (CEO) of the Company in the past five (5) years.

2.3.2. The Company should not combine the roles of Board Chairman and CEO.

2.4. Executive Director

2.4.1. Executive Directors are persons who have an active role in the management of a company or who participate in the day-to-day running of a company's business.

2.5. Non-Executive Director

2.5.1. Non-Executive Directors are persons who do not have an active role in the management of a company or who do not participate in the day-to-day running of a company's business.

2.6. Independent Director

2.6.1. Definition

2.6.1.1. An Independent Director is a Non-Executive Director who represents the interest of the general public or the shareholders other than the controlling shareholders. An Independent Director or any person linked to him should not:-

(a) hold more than 5% equity interest directly or indirectly in the Company or in its related corporations;

(b) be employed in an executive position in the Company or its related corporations at least two years prior to his appointment date;

(c) For this purpose, any person linked to an Independent Director shall refer to the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child, of the Independent Director;

(d) be engaged, or have been engaged in the past two years, as a professional adviser by the Company or any related corporation of the Company, either personally or through a firm or company in which he is a partner, Director or major shareholder; and

(e) be engaged, or have been engaged in the past two years, in any for-profit-business transaction (other than transactions relating to the sale of insurance policies) of a value exceeding

RM1 million with the Company, 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.

2.6.1.2. An Independent Director of the holding company and/or sister companies of the Company who is also on the Board of the Company may be considered an Independent Director of the Company provided that:-

(a) he fulfils the criteria set out in the above paragraph; and

(b) he is not the only Director appointed from the holding company to the Board of the Company.

2.6.2. Responsibilities

The primary responsibility of Independent Directors is to protect the interest of minority shareholders, other stakeholders and general public. Therefore, Independent Directors should provide effective oversight and ensure a strong independent element on the Board for it to function effectively and exercise objective judgments. The effective participation of Independent Directors serves to promote greater accountability and balance in the Board’s decision-making process. The responsibilities of an Independent Director should therefore, include the following:-

(a) to enhance the independence and objectivity of the Board’s deliberations from the executive arm of the Company;

(b) to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;

(c) to constructively challenge and contribute to the development of strategies for the Company;

(d) to ensure that the Board uses adequate systems and controls to safeguard the interests of the Company;

(e) to provide the ‘check and balance’ function to the Board; and

(f) to monitor and provide an objective view on the performance of Executive Directors and management in meeting the agreed goals and objectives.

2.7. Term of Appointment

2.7.1. Appointment of a person as a Director or CEO shall only commence after a prior written approval of the Bank.

2.7.2. The term of appointment of a Director shall be as specified by the Bank and the tenure limit for independent Directors should not exceed nine (9) years, except under exceptional circumstances.

2.7.3. An election of Directors must take place each year. At the Annual General Meeting in every year, 1/3 of the Directors for the time being, or if their number is not a multiple of 3, then the number nearest to 1/3 must retire from office. A retiring Director will be eligible for re-election.

2.7.4. A director should not have more than twelve (12) external professional commitments that may have competing time commitments and may impair their ability to discharge their duties effectively as a member of the Company's Board of Directors.

In the event, a director exceeds the maximum number of external professional commitments, the Nominating Committee shall review and reassess the ability of that director in discharging his duties and the Nominating Committee shall have the discretion to allow the additional commitment as long as the same does not exceed 15 in number, subject to the approval of the Board.

2.8. Training Requirements

2.8.1. The newly appointed Directors should attend an in-house orientation and education programmes to familiarize themselves with the takaful/insurance industry and the institution within three (3) months of their appointment.

2.8.2. Directors are encouraged to attend the Corporate Directors Training Programme by the Companies Commission of Malaysia.

3. RESTRICTION ON APPOINTMENT

3.1. Practising Lawyers and Accountants

3.1.1. Practising lawyers may be appointed as Directors provided that they are not employed by or are not partners in a legal firm, which is on the panel of lawyers of the Company.

3.1.2. Practising accountants may be Directors provided they are not employed by or are not partners in an accounting firm which is engaged to conduct audit of or consultancy work for the Company.

3.2. Directorship in More Than One Licensee

3.2.1. A Director holding directorships in more than one (1) licensee of the Bank is subject to the following requirements:-

(a) a Director shall not also serve as a Director in another company that is carrying on the same class of business, or in a Takaful/insurance broker; and

(b) a Director of a company that is carrying on general takaful/insurance business shall not also serve as a Director in an adjuster.

3.2.2. The restrictions on interlocking directorships also apply to appointment as Director in a parent or related company of a takaful operator/an insurer, takaful/insurance broker or adjuster as the case may be.

3.3. Executive Director

3.3.1. An Executive Director may only hold a position as Non-Executive Director in other companies and may only hold a maximum of five (5) directorships at one time (including the directorship in the Company).

3.3.2. Directorships in other companies within the same group and directorships in companies to represent the equity interest of the Company should be aggregated and counted as one (1) directorship.

3.3.3. Directorships in family-owned companies should also be aggregated and counted as one directorship.

3.3.4. Directorships or council positions in organisations that exist for the development of the takaful/insurance industry, professional bodies, non-profit social organisations, government-controlled companies are excluded from the computation of the limit.

3.4. CEO

3.4.1. The CEO may only hold a position as Non-Executive Director in the Company's holding company and subsidiaries as well as sister companies that are financial institutions having synergies with the Company, and may only hold a maximum of five (5) directorships at one time (including the directorship in the Company).

3.4.2. The CEO may also hold a non-executive position in a professional body, industry association, statutory body, charitable body or other non-commercial public-interest entity, unless the Bank specifies otherwise. Directorships in these organisations will not be included in determining the maximum number of directorships held by the CEO but subject to the limit as may be set by the Company in ensuring that he is able to devote the necessary time and attention to the affairs of the Company.

3.4.3. CEO of the Company shall not hold directorship position in family-owned companies.

3.5. Non-Executive Director

3.5.1. A Non-Executive Director should not simultaneously serve on the board of more than fifteen (15) companies (including the Company).

4. RESPONSIBILITIES OF THE BOARD

4.1. The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public. As part of the Board's responsibility to promote sustainable growth and financial soundness, the Board must institutionalise a robust Shariah governance framework that is commensurate with the size, complexity and nature of the Company's business.

In fulfilling this role, the Board must–

4.1.1. approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;

4.1.2. oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;

4.1.3. 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;

4.1.4. promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

4.1.5. promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

4.1.6. 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; and,

4.1.7. promote timely and effective communication between the Company and the Bank on matters affecting or that may affect the safety and soundness of the Company.

4.1.8. 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;

4.1.9. oversee the implementation of Shariah Advisory Council of Bank Negara Malaysia (SAC)'s rulings and decisions or advice of the Shariah committee within all business and functional lines, including any business or risk implications arising from such implementation;

4.1.10. 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;

4.1.11. 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

4.1.12. 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.

4.1.13. address the directors' actual and potential conflicts of interest. At a minimum the Board must:

4.1.13.1 identifying circumstances which constitute or may give rise to conflicts of interests.

4.1.13.2 clearly defining the process for Directors to keep the Board informed on any change in his circumstances that may give rise to a conflict of interest.

4.1.13.3 identifying those responsible for maintaining updated records on each Director's conflicts of interest.

4.1.13.4 articulating how any non-compliance with the policy will be addressed.

5 RELATIONSHIP WITH SHARIAH COMMITTEE

5.1 While the Shariah Committee has distinct responsibilities in relation to Shariah matters, the Board remains responsible for the direction and control of the Company's business and risk strategies.

5.2 The Board must have due regard to any decisions or advice of the Shariah Committee on Shariah issues relating to the operations, business, affairs or activities of the Company, whereby, the Board is required to:

5.2.1. give sufficient attention to the facts, rationale and basis for any decisions or advice of the Shariah committee before arriving at its own decision; and

5.2.2. give fair consideration to the implications of implementing any decisions or advice of the Shariah committee.

5.3 The Board may invite a member of the Company's Shariah Committee, as appointed by the Board or as nominated by the Shariah Committee, to attend a Board meeting, in which the Board may:

5.3.1. request for updates on matters discussed in the Shariah Committee meeting(s);

5.3.2. seek any clarification from the Shariah Committee member; and

5.3.3. request for any matters to be deliberated or further deliberated in the Shariah Committee meeting.

5.4 During any interactions or engagements between the Board and Shariah Committee, any differences of view between the Board and the Shariah Committee shall be resolved amicably. A record on the deliberations between the Board and the Shariah Committee relating to such differences and its resolution shall be maintained by the Company.

5.5 In the event no consensus is achieved between the Board and the Shariah Committee, the matter is to be referred to the SAC for request for ruling or advice.

6 MATTERS RESERVED FOR THE BOARD

6.1 The following matters shall be reserved for decision by the Board, supported by any recommendation by the Board Committees as appropriate:-

(a) acquisition and disposals of assets of the Company or of its subsidiaries that are material in nature.

(b) related-party transactions of a material nature.

(c) authority levels for core functions.

(d) corporate policies on investment (including the use of derivatives), underwriting, reinsurance, claims management and risk management.

(e) outsourcing of core business functions.

7 BOARD MEETINGS

7.1 Frequency of Meetings

7.1.1. There should be at least six (6) Board Meetings in each financial year and 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.

7.1.2. Board Meeting attendance by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

7.2 Quorum of Meetings

7.2.1. At least half of the board members which shall consist of nominees from both shareholders (AIA and Public Bank/Public Islamic Bank) must be present at each Board meeting.

8 BOARD COMMITTEE

8.1 To support sound corporate governance and processes, the Company is required to establish the following Board Committees:-

8.1.1. Audit Committee

8.1.1.1 The primary objective of Audit Committee is to support the board in ensuring that there is a reliable and transparent financial reporting process within the Company.

8.1.1.2 The Audit Committee is expected to oversee the effectiveness of the internal audit function of the Company. At a minimum, this must include–

(a) reviewing and approving the audit scope, procedures and frequency;

(b) reviewing key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;

(c) noting significant disagreements between the chief internal auditor and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and

(d) establishing a mechanism to assess the performance and effectiveness of the internal audit function.

8.1.2. Nominating Committee

8.1.2.1. The primary objective is to support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary:

(a) appointments and removals,
(b) composition,
(c) performance evaluation and development, and,
(d) fit and proper assessments.

8.1.3. Remuneration Committee

8.1.3.1. The primary objective of this committee is to support the Board in actively overseeing the design and operation of the Company's remuneration system as set out in the Remuneration Committee's responsibilities.

8.1.3.2. Periodically review the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

8.1.4. Risk Management Committee

8.1.4.1. The primary objective is to support the Board in meeting the expectations on risk management as set out in the policy document on *Risk Governance.*

8.1.4.2. In assisting the implementation of a sound remuneration system, the Risk Management Committee must examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.

8.2 To promote informed and robust decision-making, the Board and its Committees should seek independent third party views or information as appropriate.

9 DISCLOSURE REQUIREMENTS

9.1 Directors' Interest

9.1.1. The Companies Act requires the following disclosures by Directors:-

(a) interest in contracts with the Company.

(b) office held or property possessed whereby directly or indirectly duties or interests might be created in conflict with his duties or interests as Director.

(c) interest in shares, debentures, participatory interests, rights and options in the Company or related corporation.

9.2 Other Disclosures

9.2.1. The Directors are required to observe other disclosure requirements under the relevant statutes or regulations or policy imposed by AIA Group.

10 BOARD GOVERNANCE

10.1 Directors' responsibilities and limitations are primarily set out in the Articles of Association, the Companies Act, the Islamic Financial Services Act, the Bank's guidelines, Board or Shareholders' Resolutions and other relevant statutes or regulations.

10.2 The Memorandum of Association regulates the external affairs of the Company, while the Articles of Association regulates the internal regulations of the Company.

10.3 The Directors are required to uphold good corporate integrity and transparency. In this regard, the Company's Corporate Governance Disclosures shall be laid before the Company's Annual General Meeting and published in the Company's website.