

**ETIQA FAMILY TAKAFUL BERHAD (EFTB)**  
*(Formerly known as Etiqa Takaful Berhad)*  
**- BOARD CHARTER**

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**1. INTRODUCTION**

The Board acknowledges the importance of developing and maintaining a framework of Corporate Governance that is robust and sound to promote a culture of integrity and transparency throughout Etiqa Family Takaful Berhad (EFTB or the Company). In this regard, all directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern directors' conduct and their relationship with EFTB's stakeholders.

The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the organisation.

The Board may from time to time review the contents of this Board Charter to ensure its relevance and effectiveness in the light of the ever changing environment in which EFTB operates.

**2. ROLES AND RESPONSIBILITIES OF THE BOARD**

2.1 The business and affairs of EFTB are managed under the direction and oversight of its Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of EFTB. The Board also sets EFTB's core values and adopts proper standards to ensure that EFTB operates with integrity, and complies with the relevant rules and regulations.

**2.2 Terms of Reference**

The Board has the responsibility to approve and periodically review the overall business strategies and significant policies of EFTB, premised on sustainability and promoting ethical conduct in business dealings, understanding the major risks faced by EFTB, setting acceptable levels of risk taking and ensuring that the Senior Management takes the steps necessary to identify, measure, monitor and control these risks. The Board also approves the organisational structure and ensures that Senior Management is monitoring the effectiveness of the internal control system.

Among the primary obligations of the Board are as follows:-

- (a) Reviewing and approving EFTB's strategies, business plans, significant policies and Annual Budget;
- (b) Ensuring and overseeing the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the Company as well as ensuring that the Company's overall operation is in compliance with Shariah principles;
- (c) Approving the recruitment, appointment, promotion, confirmation and termination of service, as well as the remuneration package, and compensation and benefits policies and the terms and conditions, including the job grade of executives in Key Management Positions;
- (d) Approving organisational structure and oversee the performance of senior management in managing the business and affairs of the Company;
- (e) Determining the general composition of the Board (size, skill and balance between executive directors (if any) and non-executive directors) in order to ensure that the Board consists of the requisite diversity of skills, experience, gender, qualification and other core competencies required;

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- (f) Approving a framework of remuneration for directors, covering fees, allowances, and benefits-in-kind (directors of all boards and committees);
- (g) Approving policies pertaining to corporate image, brand management, community relations, investor relations and shareholder communications programs;
- (h) Ensuring that EFTB has a beneficial influence on the economic well-being of the communities within which it operates;
- (i) Ensuring succession planning of executives in Key Management Positions;
- (j) Ensuring that the Board is supported by a suitably qualified and competent Company Secretary;
- (k) Ensuring that the Board members have access to appropriate education and training programmes to keep abreast of the latest developments in the industry, and as may be prescribed by the regulatory authorities from time to time; and
- (l) Approving financial statements (and ensuring reliability of the same) as well as the interim dividend and recommend final dividend to shareholders.

### **3. BOARD COMPOSITION**

The composition of the Board reflects a good measure of objectivity and impartiality in order to ensure the interest of the shareholders are protected.

Other salient factors which have been taken into account in determining the Board's composition are as follows:-

#### **3.1 Board Size**

Pursuant to the Shareholders Agreement between Maybank and Ageas, the number of directors on the Board of EFTB will consist of up to eight (8) directors, of which up to five (5) will be appointed by Maybank and two (2) will be appointed by Ageas and one (1) may be appointed to represent the interest of minority shareholders. In the event there is no minority shareholder the number of directors in EFTB would be reduced to seven (7).

Any variation to the directorship above shall be mutually agreed provided that the number of Directors of the Company shall not be less nor more than what prescribed by Bank Negara Malaysia.

#### **3.2 Independent Director**

At least half of the membership of the Board shall be Independent Directors.

#### **3.3 Executive Director**

The Company shall not have more than one Executive director on the Board.

#### **3.4 The Chairman**

The Chairman shall be from the directors appointed by Maybank.

#### **3.5 Vice Chairman**

The Vice-Chairman of the Board shall be from the directors appointed by Ageas Insurance International N.V.

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**4. SEPARATION OF ROLES AND RESPONSIBILITIES BETWEEN THE CHAIRMAN AND CEO**

The roles and responsibilities of the Chairman and the Chief Executive Officer (CEO) are separated with a clear division of responsibilities, defined, documented and approved by the Board, in line with best practices so as to ensure appropriate supervision of the Management. This distinction allows for a better understanding and distribution of responsibilities and accountabilities.

The respective roles of the Chairman and the CEO are set out below:-

**4.1 The Role of the Chairman**

The Chairman leads the Board and is also responsible for the effective performance of the Board. Working together with the Board, the Chairman ensures amongst others that:-

- (a) The setting of EFTB's policy framework within which the senior management is to work, and ensure that the Board supports the strategy formulated by EFTB and monitors its implementation.
- (b) The proceedings of the Board are conducted orderly, where healthy debate on issues being deliberated is encouraged to reflect an appropriate level of scepticism and independence;
- (c) The succession planning programme for the Board and senior management are at the appropriate level of effectiveness; and
- (d) The Board's decisions are reached by consensus (and failing this, reflect the will of the majority), and any concern or dissenting view expressed by any director on any matter deliberated at meetings of the Board, or any of its Committees, as well as the meetings' decisions, will accordingly be addressed and duly recorded in the relevant minutes of the meeting.

The Chairman also cultivates a healthy working relationship with the CEO and provides the necessary support and advice as appropriate.

**4.2 The Role of the CEO**

The CEO is delegated certain responsibilities by the Board and is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. His primary responsibilities include the following:-

- (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 material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to:-

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- (i) the performance, financial condition and operating environment of the Board;
- (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.

The CEO, by virtue of his position also functions as the intermediary between the Board and the Management.

## **5. BOARD APPOINTMENTS**

A formal and transparent procedure is in place for the appointment of new directors to the Board, the primary responsibility of which has been delegated to the Maybank Group's Nomination and Remuneration Committee (NRC). In the course of its duties, the NRC is guided by the Maybank Group's Policy on the Nomination Process for the Appointment of Chairman, Director and CEO of Licensed Institutions in the Group (Policy on Nomination Process) which sets out a clear and transparent nomination process of the same, involving the following five stages:-



## **6. LIMITS ON EXTERNAL COMMITMENTS**

### **6.1 Limitation for Directors**

Directors are not allowed to sit on the boards of more than five (5) listed companies and must hold less than fifteen (15) directorships in non-public listed companies, to ensure that their commitment, resources and time are more focused, enabling them to discharge their duties effectively.

### **6.2 Consultation Prior to External Appointments**

The Board values the experience and perspective that the Non-Executive directors gain from service on the boards of other companies, organisations or associations. However, prior to the acceptance of any relevant external appointments such as directorship of listed companies, organisations or other associations, Non-Executive directors should first consult with the Chairman on such proposed appointment. In any event, such commitments should not:-

- (a) cause a conflict of interest for the director;
- (b) affect the director's independence;
- (c) have potential reputational consequence to the Company; and/or
- (d) place demands on the director's time that could hinder their ability to attend board meetings and discharge their responsibilities to the Company.

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**6.3 Limitation for CEO**

The CEOs must devote the whole of his professional time to the service of the Company unless BNM approves in writing. BNM may allow the CEO to assume a position of responsibility outside the Company, if BNM is satisfied that the proposed position would not:-

- (a) create substantial conflicts of interest or demands on the CEOs' professional time; and
- (b) result in the CEOs' holding directorships in more than five (5) entities other than the Company.

**7. POLICY ON TENURE OF DIRECTORSHIP**

7.1 The appointment of members on the Board, as well as their tenure as a director, are subject to the approval of BNM (the "Approved Tenure"). Subject to the Board's annual evaluation of a member whose Approved Tenure is about to expire, and upon due consideration of the Maybank Group's own policy on the tenure of directorship as described below, the Company may apply to BNM for an extension of the said Approved Tenure, so that such director may continue to remain as a member of the Board.

7.2 Generally, the Maybank Group's Policy on Tenure of Directorship limits the tenure of all Non-Executive directors in the following manner:-

- (a) upon completion of a twelve (12) year period; and/or
  - (b) upon reaching the age of seventy (70) years;
- whichever is the earlier.

7.3 Notwithstanding the limitation as mentioned above:-

- (a) In the case of para. 7.2(a), the Board shall continue to have the discretion to request the affected director to nevertheless remain serving the Board in appropriate cases; and
- (b) In the case of para. 7.2(b), the Board may recommend for the shareholders to approve (with strong justifications provided), that the affected director (notwithstanding his age) remain on the Board until the next Annual General Meeting of the Company.

7.4 With regard to Independent directors in particular, the limitation on tenure of directorships is upon completion of a cumulative period of nine (9) years.

7.5 In the case of para. 7.4, the Board has the following options:-

- (a) To re-designate the affected director as a Non-Independent Non-Executive director from the ninth (9<sup>th</sup>) year onwards; or
- (b) To recommend for the shareholders to approve (with strong justifications provided), that the affected director continues being designated as an Independent director and as such, remain on the Board.

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**8. SUCCESSION PLAN**

Appointments to the Board are not considered in isolation but as a component of the Board's succession plan. In this context, the limitations on age and tenure of directorship as described in para. 7 above provides the Board with the opportunity to consider and reassess its succession plan periodically, not only to ensure continuity in meeting its long term goals and objectives but also to affirm that the knowledge, experience and skill sets of its members would be well suited to meet the demands of the ever changing landscape of the financial industry.

In furtherance thereof, the curriculum vitae of prospective candidates would from time to time, be discreetly obtained from various internal and external sources (including institutions which maintain salient details on directors with financial industry background) for further review by the NRC and the Board, to ensure that the Board has a steady pool of talent to choose from whenever there is a need to appoint additional members on the Board or otherwise, to replace a member who intends to retire or resign from the Board.

**9. BOARD PROCESSES**

**9.1 Frequency of Meetings**

The Board meets at least once in every two months. However, additional meetings may be convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings.

Directors must attend at least 75% of Board meetings held in the financial year.

**9.2 Quality of Meeting Materials**

Board Meetings for the ensuing financial year are scheduled in advance before the end of the financial year, so as to allow members of the Board to plan ahead and fit the coming years' Board and Board Committees meetings into their respective schedules.

The Chairman, with the assistance of the Company Secretary, takes responsibility for ensuring that the members of the Board receive accurate, timely and clear information in respect of the EFTB's financial and operational performance to enable the Board to make sound decision and provide the necessary advice.

Prior to each Board meeting, an agenda together with comprehensive reports for each agenda item to be discussed will be forwarded to each director at least three (3) clear days before the scheduled meeting to enable the directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting.

In response to technological advancement in the digital space, the Board has taken the initiative to implement paperless board meeting where board papers are uploaded onto a secured platform, and is accessible via tablet devices.

**9.3 Board Satisfaction Index**

Performed every year, the Board Satisfaction Index is a mechanism used to ensure continuing adequate support is provided by the Company Secretary to the Board, to assist directors in discharging their duties effectively. The areas of assessment cover transactional and operational efficiency, which includes the quality of the minutes of the Board and Board Committees, of papers and meeting arrangements, and of training and knowledge management, as well as advisory services on matters concerning directors' duties, such as disclosure of interests.

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**9.4 Minutes of Meetings**

The directors (through the Company Secretary) shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Board. The minutes of meetings shall accurately record decisions taken and the views of individual Board Members, where appropriate. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held.

**9.5 Quorum and Voting**

At least half of the Board members to be present. Questions arising at any meeting of the Directors shall be decided by a majority of votes.

**9.6 Board Time Without Management**

In line with best practices of other companies, at the end of each Board meeting, a Board session without the Management is held. The purpose is to enable the Chairman to engage with the Non-Executive directors on issues that they would prefer to raise without the presence of CEO as well as a round-up session on the just concluded Board meeting.

Further to the session, the Chairman may follow up with the CEO on issues raised by the Board, such as:-

- (a) matters that require the CEO follow-up e.g. business, and relationship or people issues;
- (b) matters concerning procedural points which requires improvements that the Company Secretary needs to work on; and/or
- (c) how the Chairman can better conduct future meetings.

**9.7 Board Annual Outline Agenda**

The Board Annual Outline Agenda highlights to the Board, the relevant Board Committees as well as the Management, the subject matters to be discussed for the year in order to facilitate better planning and for greater time effectiveness. The subject matters included in the Board Annual Outline cover the following broad topics:-

- (a) Strategy
- (b) Governance
- (c) Risk Management
- (d) Administrative

The Annual Board Outline will be reviewed at every Board meeting and updated, where appropriate.

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**10. BOARD COMMITTEES**

Certain functions of the Board are delegated to Board Committees, which comprise members of the Board and operate within clearly defined terms of references primarily to assist the Board in the execution of its duties and responsibilities. The following is a brief description of the Board Committees which have been established by the Board:-

10.1	Nomination & Remuneration Committee (established at Maybank Group level)	-	To recommend to the Board, the appointment of new members on the Board and Board Committees including the conduct of annual evaluation of their performance/skill sets, both individually and collectively, as well as to evaluate recommendations for promotion and remuneration and compensation policies for executives in key management positions.
10.2	Audit Committee of the Board (established at Maybank Ageas Holdings Berhad Group level)	-	To assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal and external audit.
10.3	Risk Management Committee (established at Maybank Ageas Holdings Berhad Group level)	-	Responsible for formulating policies and frameworks to identify, measure, monitor, manage and control the following risk components:- <ul style="list-style-type: none"> <li>• Financial Risk (including ALM, Liquidity, Market and Credit Risks)</li> <li>• Operational Risk (including IT and Legal Risk)</li> <li>• Insurance Risk (including Reputational Risk)</li> </ul>
10.4	Investment Committee (established at Maybank Ageas Holdings Berhad Group level)	-	Governance body which carries an oversight function for investment related activities.