



**TERMS OF REFERENCE
OF
BOARD OF DIRECTORS**

**PRUDENTIAL ASSURANCE MALAYSIA BERHAD
(107655-U)**

**21 November 2016
Version 3.0**

Version Control

Version	Date	Status	Author	Comments
1.0	-	-	Tina Chin – Finance	-
2.0	27 November 2013	Approved by the Board	Tan Wen Li - Company Secretarial Department	Revision made pursuant to new recommendations/requirements provided by:- i) Financial Services Act 2013 ii) Malaysian Code of Corporate Governance 2012 iii) Bank Negara Malaysia Guidelines
3.0	21 November 2016	Approved by the Board	Tan Wen Li - Company Secretary	Revisions made pursuant to the Bank Negara Malaysia Policy Document on Corporate Governance.

1. Roles of the Board

- 1.1 The Board of Directors (the Board) and the Chief Executive Officer (CEO) are collectively responsible for the proper stewardship of Prudential Assurance Malaysia Berhad (PAMB) by ensuring the achievement of its corporate objectives, promoting sustainable growth and financial soundness and for ensuring reasonable standards of fair dealing without undue influence from any party whilst inculcating sound corporate governance. This includes a consideration of the long term implications of the Board's decisions on PAMB and its customers, officers and the general public.
- 1.2 The Board is responsible for approving PAMB's strategic plans and key policies, whilst providing effective oversight of the Management's performance, risk assessment and controls over business operations.
- 1.3 The Board will apply high ethical standards in their decision-making taking into account the interests of all stakeholders.
- 1.4 These Terms of Reference will be reviewed at least once in 3 years.

2. Composition

- 2.1 The Board shall consist of a minimum of 5 directors including the Chairman.
- 2.2 The Board must have a majority of independent directors at all times. The Board shall have a balance of executive directors and non-executive directors (including independent non-executives) such that no individual or small group of individuals can dominate the Board's decision making.
- 2.3 The Board must not have more than one executive director unless Bank Negara Malaysia (BNM) approves otherwise in writing.

3. Maximum Tenure for Independent Directors

- 3.1 The maximum tenure for an Independent Director shall be 9 years.

4. Processes for Board Meetings

- 4.1 Board meetings for each financial year are scheduled in advance before the end of each preceding financial year. This enables the Directors to include the year's Board meetings into their respective schedules and plan accordingly. Additional Board meetings are also held when required, to deliberate on urgent corporate proposals or matters that require the immediate attention and expeditious direction of the Board.
- 4.2 The Board also has ready and unrestricted access to the advice and services of a suitably qualified and competent Company Secretary.
- 4.3 The Board shall meet not less than once in every 2 months.

- 4.4 Board members, with the concurrence of the Chairman, may call for additional meetings to examine and consider matters related when deemed necessary.
- 4.5 Directors must attend at least 75% of the board meetings held in each year.
- 4.6 Meetings may be held via tele-conferencing and/or video conferencing that are legally constituted. Minutes of the meetings must be documented.
- 4.7 The Board may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit. At least half of all Board members must be present at the Board meeting to form a quorum.
- 4.8 All Board members shall use their best endeavours to attend all Board meetings in person. If this is not possible despite best endeavours, a Board member may attend the Board meeting by using communication technology. Participation in a meeting by communication technology shall constitute presence in person. Confidentiality is paramount in respect of all Board meetings and all documents made available to Board members.
- 4.9 Board members, with the concurrence of the Chairman, may invite any person to be in attendance to assist it in its deliberations. The Board should ensure that the members meet exclusively when necessary.
- 4.10 The Directors are at liberty to seek independent professional advice on matters relating to the fulfillment of their roles and responsibilities. The cost of procuring these professional services will be borne by PAMB.
- 4.11 The Board is also allowed to carry out non-critical resolutions by way of circulation.

5. Conflict of Interest

Upon their appointment, directors are responsible for acting honestly for the benefit of PAMB and shall avoid self-serving practices. Conflicts of interest must be disclosed immediately and when necessary, avoided.

Section 58 of the Financial Services Act 2013 requires a Director to disclose to the Board the nature and extent of his/her interest in a material transaction or material arrangement, and, if such material transaction or material arrangement is being deliberated during a Board meeting, to be absent from the meeting during such deliberations.

For the purpose of Section 58(4) of the Financial Services Act 2013:

- i) An existing or proposed transaction or arrangement will be considered material if it is one which a Director is required to declare under Section 131 of the Companies Act, 1965, unless the Director or any person linked to him/her cannot reasonably be expected to derive a benefit or suffer a detriment from the transaction or arrangement in a way that will place the Director in a position of conflict; and
- ii) An interested Director must make the disclosure by way of written notice to all members of the Board and the Company Secretary:

- a) As soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
- b) If the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.

6. Board Function and Responsibilities

6.1 The Board reserves for its consideration significant matters such as the following:

- i) Financial results
- ii) Dividends
- iii) Business Plans
- iv) Long-term Strategic Plans
- v) Annual Budget
- vi) Overall Risk Strategy, Risk Policies and the Risk Appetite/Tolerance
- vii) Appointment of Senior Management Team
- viii) Business Continuity Management
- ix) Other initiatives which would, singularly or cumulatively, have a material impact on PAMB's risk profile, financial soundness, reputation or key operational controls.

6.2 The principle responsibilities of the Board include the following:-

- i) Safeguard the credibility and reputation of PAMB by ensuring the management team and all employees conduct business with highest levels of integrity.
- ii) Adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.
- iii) Promote, together with senior management, a sound corporate culture within PAMB which reinforces ethical, prudent and professional behavior.
- iv) Oversee the selection, performance and remuneration and succession plans for the CEO, control function heads and of other members of the Senior Management Team such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of PAMB.
- v) Supervise the affairs of PAMB to ensure sound management by:
 - a) Ensuring at all times, the assets are properly managed to meet its liabilities and in compliance with the relevant legal and regulatory requirements.
 - b) Being well informed of the affairs of PAMB by monitoring and supervising the affairs of PAMB.
 - c) Retaining minutes of Board meetings and record of actions by directors in connection with their oversight responsibilities.
- vi) Review and approve key policies, objectives and a clear framework that covers critical areas, including but not limited to solvency management, underwriting, claims management, reinsurance, investment, loans, risk management, financial planning and budgeting, and human resource management. To set clear lines of authority (and limits to this authority) for all levels of staff.
- vii) Adhere to the relevant disclosure requirements prescribed by the Companies Act 1965, Financial Services Act 2013 and BNM Guidelines.
- viii) Promote timely and effective communication between PAMB and BNM on matters affecting or that may affect the safety and soundness of PAMB.

- ix) Undertakes various functions and responsibilities as specified in the guidelines and directives issued by the regulatory authorities from time to time.
- x) Observe all laws, rules and regulations as part of their statutory duties and be familiar with relevant laws, related regulations, interpretative rulings and notices and exercise care to see that these are not violated.

This includes laws pertaining to certain restrictions, prohibitions and liabilities of Directors. Directors may be penalised for any non-compliance with legal requirements (in particular, the requirement to maintain the minimum required margin of solvency at all times and ensure that its assets are in safe custody) and be removed from office if found to have acted against the interests of policyholders and/or PAMB.

7. Strategy and Risk Management

7.1 The principle responsibilities of the Board on strategy and risk management matters include the following:-

- i) Identify principal risks and oversee the implementation of PAMB's governance framework, internal control framework and mitigation measures as well as periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of PAMB's operations.
- ii) Ensure that organisational complexity does not hamper effective enterprise-wide risk management of the institution's activities and that the senior management have the requisite skills, experience and competencies in risk management.
- ii) Review the adequacy and the integrity of the management information and internal controls systems of PAMB.
- iv) Promote sustainability through appropriate environmental, social and governance considerations in PAMB's business strategies.
- v) Be responsible for the governance over PAMB's Business Continuity Management policy and framework.
- vi) Be regularly informed of the financial condition, business performance and management policies of PAMB. Directors should ensure they have adequate information to provide effective strategic direction and to apply immediate remedial measures should the need arise.
- vii) Ensure that PAMB has a beneficial influence over the national economy since insurers provide risk and insurance management services for members of the public. The Board must also ensure that PAMB provides insurance services and facilities which are conducive for a well-balanced economic growth and which are consistent with national objectives.

8. Board Committees

8.1 The Board has established the following Board Committees whose compositions and terms of reference are in accordance with the BNM Policy Document on Corporate Governance:

- i) Audit Committee
- ii) Risk Management Committee
- iii) Nominating Committee
- iv) Remuneration Committee

8.2 The functions and terms of reference of the Board Committees, as well as authority delegated by the Board to these Committees, are reviewed from time to time to ensure that they remain relevant and are up-to-date. As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees by the Chairmen of the Board Committees and also through minutes of these Board Committees

8.3 The Board remains fully accountable for any authority delegated to the board committees.

8.4 The key responsibilities of the Board Committees are as follows:

- i) Audit Committee

The Audit Committee is responsible for reviewing PAMB's financial statements and for the effectiveness of PAMB's internal controls and risk management systems. The Audit Committee also monitors the effectiveness and objectivity of the internal and external auditors.

- ii) Risk Management Committee

The Risk Management Committee is responsible for the overall risk oversight of the effectiveness of PAMB's Risk Framework. The Risk Management Committee shall provide leadership, direction and oversight with regard to PAMB's overall risk appetite and tolerance and risk management framework which includes risk and business continuity management policies, processes and controls. The Risk Management Committee will also oversee senior officers in managing key risks areas and ensure that an appropriate risk management process is in place and functioning effectively.

- iii) Nominating Committee

The Nominating Committee is responsible for establishing a formal and transparent procedure for the appointment of Directors, CEO, Control Function Heads, Senior Management Team (SMT) and Company Secretary. The Nominating Committee also assesses the effectiveness of individual Directors, the Board as a whole (inclusive of its committees), CEO, Control Function Heads, SMT and the Company Secretary on an on-going basis.

- iv) Remuneration Committee

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing the remuneration policy for the Directors, CEO, Control Function Heads and Senior Management Team and to ensure that their compensation is competitive and consistent with the insurer's culture, objectives and strategy.

9. Role of Chairman

9.1 The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman must:

- i) Ensure that appropriate procedures are in place to govern the Board's operation.
- ii) Ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board.
- iii) Ensure that Directors receive the relevant information on a timely basis.
- iv) Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed.
- v) Lead efforts to address the board's developmental needs.

10. Role of Independent Directors

10.1 The primary responsibility of Independent Directors is to protect the interest of minority shareholders, other stakeholders and the general public. Therefore, Independent Directors shall 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.

10.2 The responsibilities of an Independent Director include the following:-

- a) Enhance the independence and objectivity of the Board's deliberations from the executive arm of PAMB.
- b) Mitigate any possible conflict of interests between the policy-making process and the day-to-day management of PAMB.
- c) Constructively challenge and contribute to the development of business strategies and direction of PAMB.
- d) Ensure the Board uses adequate systems and controls to safeguard the interests of PAMB.
- e) Ensure effective 'check and balance' in the proceedings of the Board.
- f) Monitor and provide an objective view on the performance of executive directors and management in meeting the agreed goals and objectives.