

PACIFIC & ORIENT INSURANCE CO. BHD.

Registration no. 197201000959 (12557-W)
(Incorporated in Malaysia)

BOARD CHARTER

1. PURPOSE

The primary purpose of this Board charter is to outline the structure, responsibilities and rights of the Board of Directors of Pacific & Orient Insurance Co. Bhd (“the Company” or “POI”).

This Board charter supplements and does not in any way supersede the provisions of the Company’s Constitution, Financial Services Act 2013, the Companies Act 2016, the Main Market Listing Requirements or any other legislations or regulations.

2. OBJECTIVES

The objectives of this Board charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings, for and on behalf of the Company.

3. BOARD LEADERSHIP

- 3.1 The Board of Directors of the Company (“the Board”) shall provide leadership and vision to the Company, in a way that will enhance shareholders’ value and ensure long-term sustainable development and growth of the Company.
- 3.2 The Board shall set the Company’s strategic aims, ensure that the necessary resources are in place for the Company to meet its objectives and review management performance.
- 3.3 The Board shall set the Company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.
- 3.4 The Board shall delegate responsibility for the operation and management of the Company’s business to the Chief Executive Office (“CEO”). Management is accountable to the Board and shall fulfil this responsibility through provision of reports, briefings and presentations on a regular basis throughout the year.
- 3.5 The running of the Board and the executive responsibility for the running of the Company’s business are the two key tasks at the top of the Company. There shall be a clear division of responsibilities at the head of the Company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.
- 3.6 The roles of the Chairman and the CEO shall be separated and clearly defined, with responsibilities divided between them. The Chairman shall be a non-executive member of the Board.

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3.7 Board Procedures

- (a) The conduct of Board members shall be consistent with their duties and responsibilities of the Company and thus to the shareholders.
- (b) The Directors shall always act within limitations imposed by the Board on its activities.
- (c) Directors' responsibilities and limitations are primarily set out in the Company's Constitution, the Company's Act, 2016, the Board and/or shareholders' resolutions and other relevant legislations, where appropriate.
- (d) The Board shall be disciplined in carrying out its role, with the emphasis on strategic issues and policy.
- (e) The Board's discussion shall be open and constructive. The Chairman shall seek a consensus in the Board but may, where considered necessary, call for a vote. Discussions and records shall remain confidential unless a specific direction from the Board to the contrary.
- (f) The Board has sole authority over its agenda. However, any Board member may request an addition of an item on the agenda.
- (g) The Board members shall be entitled to have access, at reasonable times, to all relevant Company information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to make informed decisions.
- (h) The Board members shall be expected to strictly observe the provisions of the legislations/regulations applicable to the use and shall preserve the confidentiality of confidential materials given or presented to the Board.
- (i) The Board or a Board member for the furtherance of its/his/her duties may take independent professional advice (if necessary) at the Company's expense, subject to the prior approval of the Chairman.

3.8 The Chairman

- (a) The Chairman must not be an executive, and must not have served as a CEO of the Company in the past 5 years.
- (b) The Chairman shall be responsible for ensuring the integrity and effectiveness of the governance process of the Board.
- (c) The Chairman shall be responsible for representing the Board to the shareholders.
- (d) The Chairman, in leading the Board, shall be responsible for the effective overall functioning of the Board, In fulfilling this role, the Chairman must :

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- (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, and that Directors receive the relevant information on a timely basis;
 - (iii) encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
 - (iv) lead efforts to address the Board's developmental needs.
- (e) The Chairman shall be responsible for running the Board and shall ensure that all Directors receive complete and accurate information on financial and non-financial matters in a timely manner to enable them to participate actively in the Board discussion.
- (f) The Chairman shall be responsible to lead and manage the work of the Board in order to ensure that it operates effectively and discharges its legal and regulatory responsibilities.
- (g) The Chairman shall provide advice and counsel to Board members where appropriate and also act as a link between the Board and management. The Chairman shall expect to be kept informed by the MD/CEO on all important matters and shall consult or discuss with the remainder of the Board promptly over matter that gives him cause for major concern.
- (h) The Chairman shall act as facilitator at meetings of the Board to ensure that no member dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. The Chairman shall ensure that discussions result in logical and understandable outcomes. The Chairman shall also encourage healthy debate on issues to maintain independency.
- (i) The Board may appoint one of its members as Deputy Chairman who shall act as the Chairman in the latter's absence.

3.9 The CEO

- (a) The Board shall appoint the CEO and set the terms of his appointment.
- (b) The Board shall link the Company's governance and management functions through the CEO.
- (c) The CEO, in leading senior management, shall bear primary responsibility over the day-to-day management of the Company. The CEO shall be responsible for :
 - (i) Implementing the business and risk strategies, remuneration and other policies of the Company in accordance with the direction given by the Board.

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- (ii) establishing a management structure that promotes accountability and transparency throughout the Company's operations, and preserving the effectiveness and independence of control functions;
- (iii) promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (iv) addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- (v) regularly updating the Board with material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to:
 - (a) the performance, financial condition and operating environment of the Company;
 - (b) internal control failures, including breaches of risk limits; and
 - (c) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.
- (d) All Board authority conferred on management shall be delegated through the CEO, so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the Board is concerned. The Board shall agree to the levels of sub-delegation immediately below the CEO.
- (e) The Board shall agree with the CEO the specific results directed towards the Company in achieving its goals through a series of authorized decisions and mandated actions within management limitations, directed at achieving such goals.
- (f) Only decisions of the Board acting as a body shall be binding on the CEO. Decisions or instructions of individual members of the Board or committees shall not be binding except in those instances where specific authorization is given by the Board.
- (g) The CEO shall be expected to act within all specific authorities delegated to him by the Board.
- (h) The CEO with the management team, shall be expected to ensure that the Company's assets are adequately maintained and protected and not unnecessarily placed at risk and not to cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole.

4. BOARD MEMBERSHIP

4.1 Composition

The Board and the Board Committees shall be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of directors that are required to serve on multiple board committees.

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The majority of non-executive directors on the Board of the Company shall comprise independent directors. This is in compliance with Bank Negara Malaysia's guidelines, namely BNM/RH/PD029-9.

The Board composition must also be sufficient to:

- (a) ensure a wide range of qualifications, skills and knowledge, views and experience, towards achieving the Company's goals; and
- (b) achieve the balance of skills, experience, and professional and industry knowledge necessary to meet the Company's strategic objectives.

The Board shall be responsible for recommending its members for election or appointment by the shareholders.

4.2 Appointment

All members of the Board are involved in the process of assessing, nominating and appointing new Directors. Procedures for appointment to the Board shall be formal and transparent, and on such basis as the Board may determine. For any appointment of Directors, the Company is required to seek the necessary approval from Bank Negara Malaysia ("BNM") as required by the Financial Services Act 2013.

4.2.1 The Chairman of the Board shall possess the following criteria :

- (a) strong leadership skills - to lead discussions among Directors; to build a cohesive leadership team consisting of the Board and senior management; and to delegate responsibilities to other Directors, Committees and Management;
- (b) capable to secure the respect and trust of the whole Board;
- (c) recognised stature;
- (d) high sense of accountability to shareholders and desire to create value to all stakeholders; and
- (e) possess sufficient time and capacity to focus on his task as Chairman.

4.2.2 Criteria for membership of the Board :

- (a) The criteria for membership of the Board are :
 - (i) an appropriate knowledge, understanding and experience of the conduct of the Company's business, as well as the laws, customs and values that govern the activities of the Company;

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- (ii) the ability to make sensible and informed business decisions and recommendations;
 - (iii) an entrepreneurial talent for contributing to the creation of shareholders' value;
 - (iv) high ethical standards and sound practical sense;
 - (v) ability to see the wider picture and perspective;
 - (vi) integrity in personal and business dealings; and
 - (vii) total commitment to furthering the interest of the shareholders and to achieve the Company's goals.
- (b) The criteria required for Non-Executive Directors/Independent Directors include :
- (i) person of calibre, credibility and have the necessary skills, competencies and experience to bring independent and objective judgement to the Board and to mitigate risks arising from conflict of interests or undue influence from interested parties;
 - (ii) constructively challenge and contribute to the development of strategy;
 - (iii) oversee the conduct of the Company's business and to evaluate whether the business is properly managed;
 - (iv) identify principal risks and ensure the implementation of appropriate systems to manage these risks;
 - (v) must be able and willing to inquire and probe. They should have sufficient strength of character to seek and obtain full and satisfactory answers within the collegiate environment of the Board;
 - (vi) review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
 - (vii) plan succession, including appointing, terminating, training and fixing the remuneration of Executive Directors. This reflects the fact that the Board functions through delegation to Management. They must ensure the

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Management of the highest calibre when appointing, training, assessing and providing for succession; and

- (viii) acquire the necessary skills and experience to bring an independent judgement to bear on the issues of strategies, performance and resources including key appointments and standards of conduct.

4.3 Size of Board

The size of the Board is dictated by the Constitution of the Company which permits a minimum of five (5) and maximum of ten (10) directors to be appointed to the Board.

4.4 Time Period of Office

- (a) Board members have fixed term of appointment as approved by Bank Negara Malaysia, but are also subject to retirement by rotation and re-election in accordance with the Constitution.
- (b) New Board members will only hold office until the next annual general meeting at which they will retire and become available for election or upon expiry of the appointment date approved by Bank Negara Malaysia.
- (c) Termination of service/employment contract or expiry of the appointment date approved by Bank Negara Malaysia will result in resignation from the Board.
- (d) The tenure limits for independent directors shall generally not exceed nine years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the financial institution.
- (e) All Board members shall notify the Chairman before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

4.6 Directors' Remuneration

- (a) The remuneration of the Board shall be aligned with the business strategy and long term objectives of the Company and shall reflect the Board members' responsibilities, expertise and complexity of the Company's activities.

The Board shall determine the level of remuneration paid to Non-executive Directors within any limitations imposed by shareholders. Non-executive Directors' receive no significant benefits from the Company, other than their Directors' fees and meeting allowance, if any.

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- (b) Levels and make-up of remuneration shall be sufficient to attract and retain the Board members needed to run the Company successfully, but the Company shall avoid paying more than is necessary for this purpose.
- (c) The CEO's remuneration shall be reviewed annually by the Board.
- (d) Executive members will receive no fees but will be paid as employees of the Company in accordance with their contracts of employment with the Company.
- (e) No Board member shall be involved in deciding his own remuneration.
- (f) The remuneration of the Board shall be reported in the Company's audited financial statements.

4.7 Induction of New Director

- (a) On appointment, new members shall have the benefit of an induction programme aimed at deepening their understanding of the Company and the business environment and markets in which the Company operates that include background material and corporate/business profile. The induction programme shall entail the following:
 - knowledge of the Company (ownership power, rules, regulations, Board structure, membership and processes);
 - knowledge of the business (business processes, corporate strategies, organization, management and people);
 - knowledge of the financials (annual accounts, directors' reports, trends of the key financial ratios and financial performance of the business); and discussion with the Chairman on expectations on the appointment with regard to the role, potential contributions, particular knowledge, etc.
- (b) New Board members with no or limited board experience shall receive development and training to inform them of their duties, including fiduciary responsibilities, powers and potential liabilities.

4.8 Directors' Training

- (a) All Board members are expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.
- (b) All Board members shall also undergo the FIDE Core Programme as organised by Bank Negara Malaysia or its associates. This programme ensures that the Board members continuously possess the appropriate level of awareness in relation to:
 - their duties, responsibilities and powers;
 - the legal responsibilities of each Board members;
 - changes in legislations and governing policies of the relevant authorities;
 - enhancing their skills and knowledge in both statutory and regulatory requirements; and

- sustaining active participation in Board deliberations.

5. BOARD RESPONSIBILITIES

The Board has the following major responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company:

- (a) Adopting and reviewing strategic plan, business plan and other initiatives for the Company;
- (b) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained;
- (c) Identifying principal risks, approving the risk appetite and business plan ,and ensuring the implementation of appropriate systems to manage these risks;
- (d) Succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key senior management of the Company;
- (e) Promoting, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (f) Adopting a code of ethics which provides guidelines on appropriate conduct and addresses issues of confidentiality, conflict of interest, integrity in reporting, and the fair treatment of customers;
- (g) Establishing a whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed;
- (h) Promoting sustainability through appropriate environmental, social and governance considerations in the Company business strategies;
- (i) Developing and implementing an investor relations programme or communications policy for the Company;
- (j) Reviewing the adequacy and integrity of the Company's governance framework, internal control and risk management framework, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (k) Ensure that there is reliable and transparent financial reporting process within the institution;
- (l) Promote timely and effective communication between the financial institution and the Bank on matters affecting or that may affect the safety and soundness of the financial institution; and
- (m) Oversee and approve the recovery and resolution as well as business continuity plans for the financial institution to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.

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The day-to-day management shall be in the hands of the CEO, Chief Operating Officer and management.

The Board of Directors (“Board”) shall be responsible for the proper stewardship of the Company.

The Board shall ensure the maximisation of shareholders’ value and safeguarding the stakeholders’ interests including securing sustainable long-term financial results and increasing shareholders value. Hence, the Board shall collectively have sound and sufficient knowledge and expertise to enable effective governance and oversight.

Generally, a director’s responsibilities shall include:

- (a) being aware of the Company’s operating environment and promote safety and soundness of the Company;
- (b) being diligent in undertaking his/her duties and avoid conflict of interest situations;
- (c) understanding his/her oversight role and exercise independent judgment in decision making;
- (d) devoting sufficient time to prepare for and attend Board meetings, and maintain a sound understanding of the business of the Company as well as relevant market and regulatory developments. This shall include a commitment to ongoing education;
- (e) contributing actively to functions of the Board and be able to provide sound and objective advice; and
- (f) attending 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.

6. BOARD STRUCTURES

6.1 Board Committees

The Board is authorized to form committees, when it is necessary to facilitate efficient decision-making to assist the Board in the execution of its duties. Delegating authority to Board committees does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.

There shall be transparency and full disclosure from the committees to the Board, except where the committee has been mandated otherwise by the Board.

All such committees shall be provided with written terms of reference which state clearly the extent and limits of their responsibilities and authority, specifically whether they have authority to decide on behalf of the Board or are to report back to the Board.

The Company shall establish the following committees:

- (a) Audit Committee;
- (b) Risk Management Committee;

- (c) Nominating Committee; and
- (d) Remuneration Committee.

Each Board Committee shall :

- (a) have at least three Directors;
- (b) have a majority of independent Directors;
- (c) be chaired by an independent Director; and
- (d) comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee.

To promote robust and open deliberations by the Board on matters referred by the Board Committee, the Chairman of the Board shall not chair any of the Board Committee.

With the exception of the Board Nomination Committee, Board Committees shall not have any Executive Director in its membership.

7. BOARD MEETINGS

7.1 Board members shall use their best endeavours to attend Board meetings and to prepare themselves thoroughly. Board members shall be expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills, and abilities to the Board table. Board members who are unable to attend meetings shall advise the Chairman at an early date.

7.2 Frequency and Quorum

- (a) Meetings of the Board shall be held at such time and at such venue as the Board deems appropriate, but it shall meet at least six times annually or more where circumstances necessitate.
- (b) The quorum necessary for the transaction of business is fixed by the Constitution of the Company.

In addition to the matters set out in this Board charter, meetings and proceedings of the Board shall be governed by the Company's Constitution and the Companies Act, 2016.

7.3 Agenda and Meeting Papers

- (a) The Chairman shall ensure that an agenda is prepared prior to the meeting, addressing priority strategic issues, raising issues that require attention, ensuring that proceedings are conducted efficiently and all appropriate matters addressed.

After getting input from other Directors and Management, the Chairman shall determine the agenda with the assistance of the Company Secretary and in consultation with the CEO.

- (b) The Company Secretary shall circulate the agenda and other meeting papers to the Board members preferably, at least 5 business days before the meeting.

7.4 Conflict of Interest

- (a) Board members are required to establish a written policy to address Directors' actual and potential conflict of interest. The policy must :
 - (i) identify circumstances which constitute or may give rise to conflicts of interests;
 - (ii) clearly define the process for Directors to keep the Board informed on any change in his/her circumstances that may give rise to a conflict of interest situation;
 - (iii) identify those responsible for maintaining updated records on each Director's conflicts of interest; and
 - (iv) articulate how any non-compliance with the policy will be addressed.
- (b) Board members are required to disclose their direct or indirect shareholdings in the Company, other directorships and any potential conflict of interest.
- (c) Board members shall also 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 room during such deliberations, or abstain from deliberation/discussion or decisions on matters in which they have a conflicting interest.
- (d) an interested Director shall make the disclosure by way of a written notice to all members of the Board and the Company Secretary :
 - (i) as soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
 - (ii) if the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.

7.5 Minutes

- (a) Minutes of each meeting shall be distributed to all Board members on a timely basis.
- (b) Minutes of the Board meeting shall be duly entered in the Minutes Books kept by the Company Secretary. Such minutes shall be signed by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

8. EXTERNAL PROFESSIONAL COMMITMENTS

The external professional commitments of each director shall not exceed 12 companies.

9. INTERNAL CONTROL INCLUDING RISK MANAGEMENT

9.1 The Board shall maintain a sound system of internal control to safeguard the shareholders' investment and the Company's assets. This shall cover not only financial controls but operational controls, compliance controls and risk management.

9.2 In this context, the Board shall explicitly assume the following specific responsibilities:

- (a) Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

In order to effectively discharge the above responsibilities, the Board has outsourced the Company's Internal Audit function to Pacific & Orient Berhad, its holding company.

- (b) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

In order to effectively discharge the above responsibilities, the Board has adopted a Risk Management Framework.

10. COMPANY SECRETARY

10.1 The Board shall ensure that it is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

10.2 The roles and responsibilities of a Company Secretary shall include, but are not limited to the following:-

- Manage all Board and Board Committees' meetings logistics, attend and record minutes of all Board and Committee meetings and facilitate Board communications;
- Advise the Board on its roles and responsibilities;
- Facilitate the orientation of new Directors and assist in Director training and development;
- Advise the Board on corporate disclosures and compliance with company and securities regulations;
- Manage processes pertaining to the annual shareholders' meeting;
- Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- Advising the Board on statutory requirements under the CA 2016 and other disclosure and governance requirements relevant to the Company.

10.3 The Board members shall have unlimited access to the Company Secretary.

10.4 The appointment and removal of the Company Secretary is a matter of the Board as a whole.

11. REVIEW OF BOARD CHARTER

This Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. Changes to this Board Charter shall only be authorised by the Board.

The Board Charter shall be made available for reference in the Company's website at www.poi2u.com.

This Board Charter is approved for adoption by the Board on 28 August 2019.