

# Terms of Reference for the Board of Directors

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**NATIONAL INSURANCE COMPANY BERHAD**

## **CHARTER AND TERMS OF REFERENCE OF THE BOARD OF DIRECTORS**

### **1. MANDATE**

The board of directors (the “**Board**”) of National Insurance Company Berhad (the “**Company**”) is elected by the Company’s shareholders to supervise the business and affairs of the Company and to observe the objectives established in the Memorandum of Association of NICB.

### **2. RESPONSIBILITIES OF THE BOARD**

2.1. The primary responsibility of the Board is to foster the long-term success of the Company and to maximize shareholder value in a manner that recognizes the interests of other stakeholders including the Company’s clients and employees.

In discharging this duty, with the assistance of committees established by the Board from time to time, the Board will approve the Company’s:

- a) Short-term and long-term enterprise-wide business objectives, strategy and plans (capital, financial, liquidity) including its risk appetite and risk limits;
- b) Significant strategic initiatives or transactions, such as mergers and acquisitions;
- c) Internal control framework;
- d) Appointment, performance review and compensation of the GM and, where appropriate, other members of Senior Management, including the heads of the control functions;
- e) Succession plans with respect to the Board, CEO and where, appropriate, other members of Senior Management, including the heads of the control functions;
- f) Mandate, resources and budgets for the control functions;
- g) External audit plan, including audit fees and the scope of the audit engagement; and
- h) Appointment of actuary and scope of the actuarial review.

2.2. The Board should review and discuss the Company’s:

- a) Significant operational and business policies;
- b) Business and financial performance relative to the Board-approved strategy and risk appetite;
- c) Compensation policy for all human resources;
- d) Implementation of internal controls, including their effectiveness;
- e) Organisational structure; and
- f) Compliance with applicable laws, regulations and guidelines.

While these functions are the primary responsibility of Senior Management, through review and discussion, the Board has a critical role in providing high-level guidance to Senior Management on these matters.

2.3. The Board's primary interface with Senior Management is through the General Manager (the "GM"). The Board or individual Board members should meet regularly with the management of the business units and the control functions, with and without members of Senior Management present.

2.4. Both the Board and Senior Management are required to demonstrate that they are meeting the applicable corporate governance requirements on an on-going basis. The onus for demonstrating, to the satisfaction of the supervisor, that the corporate governance framework is effective and operates as intended, rests with the Company.

### **3. BOARD MEETINGS**

3.1. The Board will meet at least 4 times a year. Special meetings may be called by the Chairman or the General Manager of the Company or any two directors as required.

3.2. The quorum for a meeting of the Board shall be three<sup>1</sup> members, until otherwise determined.

3.3. The Chairman, in consultation with the GM, will set the agenda for each Board meeting, which will be circulated to members of the Board. Each Board member is free to suggest agenda items to be discussed during the meeting.

3.4. A director shall attend at least 75% of the Board meetings held in each financial year and shall not appoint another person to attend or participate in a Board meeting on his behalf.

3.5. If required the directors may attend meetings of the Board by teleconference, videoconference, or by similar communication equipment by means of which all persons participating in the meeting can communicate with each other.

3.6. Directors shall not participate in any decision making/discussion where a reasonably perceived potential conflict of interest exists. A director, where already appointed or proposed to be appointed, who is, directly or indirectly, interested in a proposed decision by the Board shall disclose the nature of his interest at the first opportunity that the relevant facts have come to his knowledge.

3.7. Minutes of the Board meetings will be accurately recorded, with such minutes recording the decisions reached by the Board. The minute shall indicate whether any director abstained from voting or excused himself from deliberating on a matter. Minutes of each meeting will be distributed to members of the Board, the GM and the Finance & Account Manager of the Company.

3.8. To enhance the effectiveness of the Board and committee meetings, each director will:

- (a) maintain an excellent Board and committee attendance record;
- (b) prepare for Board and committee meetings by reading the agenda and background materials prepared for each meeting prior to the meeting;
- (c) participate fully and frankly in Board deliberations and discussions;
- (d) participate as required on Board committees and become knowledgeable about the role and objectives of each Board committee;
- (e) participate in director orientation and development programs developed by the Company from time to time;

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<sup>1</sup> Refer to NICB Article of Association clause 95

- (f) maintain an understanding of the regulatory, legislative, and business, environments within which the Company operates;
- (g) have access to advice from third party experts on any matter deliberated by the Board as and when required, and the cost of such advise shall be borne by the Company.

#### **4. COMPOSITION AND BOARD ORGANIZATION**

4.1. The contribution of individual directors will vary based on their qualifications and experience. However, collectively, the Board shall bring a balance of expertise, skills, experience and perspectives, taking into consideration the Company’s strategy, risk profile and overall operations.

4.2. The composition of the Board shall be made of at least one-third of independent directors. “Independence” is defined by corporate governance notice as “free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.”<sup>2</sup>

4.3. An independent director shall immediately disclose to he Board any change in his circumstances that may affect his status as an independent director. In such a case, the board must view his designation as an independent director and notify the Authority in writing of its decision to affirm or change of his designation.

4.4. The Board shall ensure that the Board composes of an appropriate number and mix of individuals to ensure that there is an overall adequate level of competence at the Board level commensurate with the governance structure.

#### **5. COMMITTEES**

5.1. Certain of the Board’s responsibilities may be delegated to Board committees as appropriate to the nature. The composition, responsibilities and authority of those committees will be set forth in their charters and terms of reference as approved by the Board from time to time. Currently the Board has approved one committee being the Audit Committee.

5.2. To promote robust and open deliberations by the Board on matters referred by the Board committees, the Chair of the Board shall not chair any of the Board committees.

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

5.4. The Company shall provide the Board committee with sufficient resources required to investigate any matter within their mandates

#### **6. RISK MANAGEMENT AND INTERNAL CONTROLS**

6.1. For managing the risks of the Company, the responsibilities of the Board include but not limited to:

- 6.1.1. Promote and sustain a sound risk culture;

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<sup>2</sup> Refer to Notice No. TIU/N-3-2017/7 *Notice on Corporate Governance for Insurance Companies and Takaful s2.1.4* ;this notice shall take effect on 1 Jan 2019.

6.1.2. Ensuring the senior management has established adequate risk management practices for material risks, such as credit, market, underwriting, interest rate risk, legal, compliance, fraud, reputational, regulatory and operational risks, on a regular basis;

6.1.3. Reviewing the current risk profile, risk tolerance level and risk strategy of the Company;

6.1.4. Ensuring that it obtains a periodic independent assessment of the design and effectiveness of the Company's risk governance framework on a regular basis;

6.1.5. Ensuring that the risk management function has adequate resources and is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively. The risk management function should have appropriate reporting lines that are independent of business lines;

## **7. KEY RESPONSIBILITIES OF SENIOR MANAGEMENT**

7.1. The GM and other members of Senior Management are responsible for directing and overseeing the effective management of the Company, within the authority delegated to them by the Board and in compliance with applicable legislation.

7.2. The responsibilities of Senior Management include –

7.2.1. implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;

7.2.2. establishing a management structure that promotes accountability and transparency throughout the Company's operations, and preserves the effectiveness and independent of control functions;

7.2.3. promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

7.2.4. addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manners; and

7.2.5. regularly updating the Board with the material information, the Board needs to carry out its oversight responsibilities, particularly on matters relating to –

- a) the performance, financial position condition and operating environment of the financial institutions;
- 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.

7.2.4. Senior Management facilitates the Board's oversight role by providing relevant, accurate and timely information to the Board, enabling it to oversee the management and operations of the Company, assess policies and determine whether the Company is operating in an appropriate control environment.

## **8. COMPENSATION**

8.1. The Board as a group will consider and establish from time to time the compensation and benefits for non-management directors.

8.2. The Board will review the compensation of its members based on the responsibilities and risks involved in being a director of the Company, industry standards, and ensure that compensation is align with the best interests of the Company.

## **9. TRANSPARENCY AND DISCLOSURE**

9.1 The Board is responsible for overseeing the Company's systems and controls to ensure that the financial reports of the insurer present a balanced and accurate assessment of the insurer's business and its general financial health and viability as a going concern.

9.2 The Board shall ensure that the corporate governance disclosures are accurate, clear and presented in a manner that is easily understood by its shareholders, policyholders/participants and other relevant stakeholders.

## **10. CONFLICT OF INTEREST, DUTIES OF DISCLOSURE**

10.1. In ensuring that the decision-making process is transparent and to the best interest of the Company, all Directors and General Manager are obliged to declare their interest in other entities on an annual basis. In addition, they are also required to disclose promptly to the Company, any circumstances that may give rise to a conflict of interest situation during carrying out their duties.

10.2. The Directors are required to make a declaration at the Board Meeting in the event that they have interests in the proposals or subject matters being considered by the Board, including where such interest arises through close family members, in line with various statutory requirements on the disclosure of Director's interest. A Director who has a direct or deemed interest in a proposal or subject matter presented at the Board/Board Committees Meeting shall abstain from deliberation and voting on the said proposal or subject matter.