

# MANULIFE HOLDINGS BERHAD

## BOARD CHARTER

### 1. INTRODUCTION

The Board of Directors (Board) believes that strong corporate governance is essential for delivering sustainable value, enhancing business integrity and maintaining investors' confidence towards achieving the Manulife Holdings Berhad group of companies (Group)'s corporate objectives and vision.

The purpose of this Board Charter is to promote the highest standards of Corporate Governance within the Group and to clarify, among others, the roles and responsibilities of the Board.

This Board Charter serves not only as a reminder of the Board's roles and responsibilities, but also as a general statement of intent and expectation as to how the Board discharges its duties and responsibilities.

This Board Charter has been endorsed by the Board and is subject to review by the Board from time to time, to ensure the Group remains at the forefront of best practices in corporate governance.

### 2. ROLE OF THE BOARD

#### 2.1 Board Composition

##### 2.1.1 Number of Directors

The Articles of Association specify that the number of Directors shall not be less than five (5) nor more than ten (10). The Board has power under the Articles of Association to appoint a Director to fill a casual vacancy or as an additional Director.

##### 2.1.2 Independence and Make-up

- (i) The Board should comprise of at least two (2) Independent Directors.
- (ii) At least one-third (1/3) of the Board should be Independent Directors;
- (iii) The Chairman must be a non-executive member of the Board; and
- (iv) Where the Chairman is not an Independent Director, a majority of the Board will comprise of Independent Directors to ensure balance of power and authority on the Board.

##### 2.1.3 Office of Directors

Election of Directors takes place each year at the annual general meeting of the Company where one-third (1/3) of the Directors, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and the retiring Directors are eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he/she retires.

## 2.2 Roles of the Board

The Board is the ultimate decision-making body of the Company, with the exception of matters requiring shareholders' approval. It sets the strategic direction and vision of the Company. The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Company and enforces standards of accountability, all with a view to enabling Management to execute its responsibilities effectively.

The Board has overall responsibility for putting in place a framework of good corporate governance within the Company, including the processes for financial reporting, risk management and compliance. Board members bring their independent judgement, diverse knowledge and experience in deliberations on issues pertaining to strategy, performance, resources and business conduct.

The Board has adopted a schedule of matters specifically reserved for its approval which include, among others, reviewing and approving the following:

- Strategic/business plans and annual budget.
- New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.
- Acquisition and disposal of significant assets of the Company.
- Annual financial statements and the quarterly financial results prior to release to Bursa Securities.
- Appointment of new Directors, CEO and other senior management positions based on recommendations of the Group Nomination and Remuneration Committee.
- Related party transactions and capital financing.

The overall principal responsibilities of the Board are as follows:

- Providing clear objectives and policies within which the senior management of the Company is to operate.
- Ensuring that there are adequate controls and systems in place to facilitate the implementation of the Company's policies.
- Monitoring Management's success in implementing the approved strategies, plans and budget within the approved risk appetites.
- Understanding the principal risks of all aspects of the businesses in which the Group is engaged in, setting of risk appetites, and ensuring that systems are in place to effectively monitor and manage these risks with a view to the long-term viability and success of the Group.
- Monitoring and assessing development which may affect the Group's strategic plans.
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Avoiding conflicts of interest and ensuring appropriate disclosure of possible conflicts of interest.

- Upholding and observing banking and relevant laws, rules and regulations.

In particular, the Board shall assume the following responsibilities as required under the Malaysian Code on Corporate Governance (Code) to facilitate the Board in discharging its fiduciary and leadership functions:

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of the Company's business to determine whether the business is being properly managed.
- Identifying principal risks, setting of risk appetites, and ensuring the implementation of appropriate internal controls and mitigation measures.
- Succession planning, including ensuring all candidates appointed to senior management positions are of sufficient calibre and programmes are in place to provide for the orderly succession of senior management.
- Overseeing the development and implementation of shareholder communications policy for the Company.
- Reviewing the adequacy and the integrity of the Company's management information and internal control systems.

Apart from the aforesaid responsibilities of the Board, the Board has also delegated specific responsibilities to several Board Committees. While the Board Committees have the authority to examine particular issues, they will report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matters lies with the entire Board.

### **2.3 Separation of position of Chairman and Group MD/CEO**

To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and Group Managing Director/Chief Executive Officer (Group MD/CEO) are distinct and separate with a clear division of responsibilities between the Chairman and the Group MD/CEO, so that no individual or group dominates the decision-making process.

### **2.4 Roles of Chairman**

The Board is led by a Chairman who is responsible for the leadership and management of the Board and ensuring the Board and its Committees function effectively. The Chairman assumes the formal role of a leader and chairs all Board meetings, leads discussions among Directors and provides leadership to the Board in its oversight of management.

The Chairman facilitates the flow of information between Management and the Board, and in consultation with Management, sets the agenda for each Board meeting. Other key roles of a Chairman are to ensure, among others:

- (i) The smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- (ii) Guidelines and procedures are in place to govern the Board's operations and conduct;

- (iii) All relevant issues are on agenda for Board Meeting and all Directors are able to participate in the Board activities;
- (iv) The Board debates strategic and critical issues;
- (v) The Board receives the necessary information on a timely basis from the management;
- (vi) Avenues are provided for all Directors to participate openly in the discussion;
- (vii) That he/she provides leadership to the Board and is responsible for the developmental needs of the Board; and
- (viii) Leading the Board in oversight of management.

## **2.5 Role of Group Managing Director/Chief Executive Officer**

The Group MD/CEO assumes the overall responsibility for the implementation of the Group's strategy and in carrying out the Board's directions, managing the businesses of the Group and driving performance within strategic goals and commercial objectives.

The Group MD/CEO heads the Executive Management Committee, the highest management committee in the Group and leads the management team in carrying out the corporate strategy and vision of the Group. As Group MD/CEO, he is accountable to the Board for the day-to-day management and operations of the Group's business.

The key roles of Group MD/CEO include, among others:-

- (i) Developing strategic direction;
- (ii) Ensuring strategies and corporate policies are effectively implemented;
- (iii) Ensuring Board decisions are implemented and Board directions are responded to;
- (iv) Providing directions in the implementation of short and long term business plans;
- (v) Providing strong leadership, that is, effectively communicating a vision, management philosophy and business strategy to the employees;
- (vi) Keeping the Board fully informed of all important aspects of the Group's operations and ensuring sufficient information is distributed to Board members;
- (vii) Ensuring the day-to-day business affairs of the Group are effectively managed; and
- (viii) Together with the Board sets objective, visions, targets and strategic direction of the Group.

## **2.6 Roles of Board Committees**

The Board delegates specific responsibilities to the Board Committees comprising:-

- (i) Group Audit Committee (GAC)
- (ii) Group Risk Management Committee (GRMC)
- (iii) Group Nomination and Remuneration Committee (GNRC)

The said Committees operate within clearly defined roles and responsibilities as set out in terms of reference of each of the Committees. The Board Committees report to the Board on their deliberations, findings and recommendations.

The Chair persons of the GAC, GRMC and GNRC report to the Board on matters dealt with at their respective Board Committee Meetings. Minutes of the GAC, GRMC and GNRC are presented at the Board meetings for further discussion and direction. While these Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by these Committees will be brought to the attention of the Board, who is collectively responsible for the Group's success, business, strategy, risk management, operational and financial performance.

### **2.6.1 Group Audit Committee**

The key responsibilities of GAC are to ensure high corporate governance practices whilst providing oversight on the Group's financial reporting, disclosure, regulatory compliance, risk management and monitoring of internal control processes within the Group. The GAC meets regularly to, among others, review the quarterly results, full year financial statements, audit reports which include observations pertaining to risk management and internal controls, as well as related party transactions.

### **2.6.2 Group Risk Management Committee**

The primary responsibility of the GRMC is to ensure that the integrated risk management functions within the Group are effectively discharged. The GRMC assists the Board in, among others, formulating and reviewing the risk strategy of the organization, approving and reviewing Group risk management policies, setting risk appetite, reviewing risk profile and ensuring a "risk-awareness" culture is embedded within the Group.

### **2.6.3 Group Nomination and Remuneration Committee**

The GNRC reviews the procedure for appointment of Directors, Board Committees and Key Senior Management of the Group and remuneration. It also undertakes individual assessment of Directors eligible for new appointment and re-appointment prior to submission to regulators for approval.

## **3. BOARD FUNCTIONS**

### **3.1 Ethics and Compliance**

#### **3.1.1 Code of Ethics for the Board**

The Board observes the following:-

- (i) The Malaysian Companies Act, 1965 (CA);
- (ii) The Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, and
- (iii) Manulife's Code of Business Conduct and Ethics.

### **Duty of Care and Diligence**

A Director shall at all times exercise his/her powers for a proper purpose and in good faith in the best interest of the Company. He/she shall exercise reasonable care, skill and diligence with the knowledge, skill and experience which may reasonably be expected of a Director having the same responsibilities; and any additional knowledge, skill and experience which he/she in fact has.

### **Business Judgement**

A Director who makes a business judgement is deemed to meet the requirements of the duty as aforesaid and the equivalent duties under the common law and in equity if he/she:

- (i) Makes the business judgement in good faith for a proper purpose;
- (ii) Does not have a material personal interest in the subject matter of the business judgement;
- (iii) Is informed about the subject matter of the business judgement to the extent the Director reasonably believes to be appropriate under the circumstances; and
- (iv) Reasonably believes that the business judgement is in the best interest of the Company.

### **Reliance on Information Provided by Others**

A Director in exercising his/her duties may merely rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:

- (i) Any officer of the Group whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (ii) Any other person retained by the Group as to matters involving skills or expertise in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;
- (iii) Another Director in relation to matters within the Director's authority; or
- (iv) Any committee to the Board of which the Director did not serve in relation to matters within the committee's authority.

A Director's reliance on information provided by others is deemed to be made on reasonable grounds if it was made in good faith; and after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard to the director's knowledge of the Company and the complexity of the structure and operation of the Company.

### **3.1.2 Code of Ethics for employees**

There is in place a standard minimum code of conduct for all its employees which encompass all aspects of its day-to-day business operations.

New recruits are briefed on the code of ethics upon joining and are required to acknowledge in writing their acceptance and understanding of the code. Further reinforcement on the code is also done during the orientation programme. Employees are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities within which the Group operates.

### **3.2 Risk Management**

An Enterprise Risk Management (ERM) framework is established to manage risks and opportunities effectively. The ERM framework requires the Group to identify, evaluate, monitor, mitigate and report all material risks associated to its business and operations. The framework provides the Board and Management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business strategies, operating and regulatory environments, and functional activities from time to time.

In ensuring the effective implementation of the ERM framework, ERM is supported by the Group Risk Management Committee (GRMC) and several committees.

### **3.3 Policy and Procedures**

Clearly documented internal policies and procedures (P&Ps) of all business serve as day-to-day operational guides to ensure compliance with internal controls and applicable laws and regulations.

The P&Ps are reviewed and updated from time to time or as and when necessary, to ensure continuous improvements in operational efficiency taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services. The P&Ps are made available to all employees.

### **3.4 Stakeholder Communication**

The Group IR activities are led by the Group MD/CEO, supported by other senior members of management including the Group CFO and various other heads of operating divisions.

In stakeholder communication, the Company practice on one-on-one meetings with pertinent shareholders.

### **3.5 Corporate Social Responsibility**

The Company is committed to fulfill its Corporate Social Responsibility (CSR) and contribute to the realization of a sustainable future through:-

- Focusing on the responsibilities emphasised in its corporate philosophy;
- Heartening the communities in which its operate;

- Maintaining high integrity at the market place through ethical business conduct, good corporate governance practices and enhancement of the shareholders' value;
- Creating a safe and conducive working environment for its employees with concern on their safety, health and welfare; and

#### **4. BOARD APPOINTMENT**

##### **4.1 Selection of Candidates**

The GNRC is responsible for identifying and nominating suitable candidates for appointments to the Board for approval, either to fill vacancies or as addition to meet the changing needs of the Group. Before recommending an appointment to the Board, the GNRC undertakes a thorough and comprehensive evaluation of the candidate based on a set of criteria adopted by the Board. The GNRC also takes into account the Group's businesses and matches the capabilities and contribution expected for a particular appointment.

The Fit and Proper Policy also outlines the following criteria for assessment of the suitability of the candidate for appointment:

- (i) Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness;
- (ii) Competence and capability, where the candidate must have the skills, working experience, capability and commitment necessary to carry out the role; and
- (iii) Financial integrity, where the candidate must manage his debts or financial affairs prudently.

##### **4.2 Restriction on Directorships**

The directorships are capped to five (5) in listed companies. Each Director confirms his/her time commitment to the Board at the time of appointment. In addition, he/she shall notify the Chairman upon accepting any new directorship.

##### **4.3 Terms of Appointment**

Each year, one-third (1/3) of the Directors retire from office at the Annual General Meeting, and being eligible, may offer themselves for re-election at the Annual General Meeting. In addition, all Directors shall retire from office once at least, every three (3) years, but shall be eligible for re-election at the Annual General Meeting as required under the Bursa Securities Listing Requirements.

Directors appointed during a financial year hold office until the next Annual General Meeting and if eligible, may offer themselves for re-election at the Annual General Meeting. A Director who is up to retirement by rotation but does not offer himself for re-election shall retire at the conclusion of the Annual General Meeting.

#### **4.4 Tenure of Independent Directors**

The tenure of service of Independent Directors is capped at the maximum limit of nine (9) years or upon reaching the age of seventy (70) years, whichever is earlier. An Independent Director who has served the company for nine (9) years may, subject to GNRC's recommendation and shareholders approval, continue to serve the Group in the capacity of Independent Director.

The GNRC undertakes assessment of the independence of the Independent Directors, upon admission, annually and as and when new interest or relationship develops.

#### **4.5 Succession Planning**

The GNRC oversees the succession planning of Key Senior Management across the Group with a view to build and maintain senior leadership bench strength.

#### **4.6 Board Diversity**

The Board shall at all times promote and welcome diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors. The Board believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as aid the Board in its decision-making process.

#### **4.7 Directors' Remuneration**

The Group periodically reviews the compensation framework of Non-Executive Directors to ensure that it remains market competitive.

The compensation packages of the Group MD/CEO and Key Senior Management are based on Key Performance Indicators (KPIs) that are linked to the Group's and the individual's performances.

#### **4.8 Board Effectiveness**

The Board recognizes the importance of assessing the effectiveness of individual directors, the Board and its Committees. Annually the GNRC provides a formal and transparent procedure for the assessment of the effectiveness of individual directors and the Board as a whole.

#### **5.0 Directors Training & Development**

##### **5.0.1 Induction Programme**

Newly appointed Directors attend an induction programme which is tailored to meet their individual needs. This includes meeting with Key Senior Management to enable them to build up a detailed understanding of the Group's business and strategy, and the key risks and issues with which they are faced. The induction

programme is supplemented by ongoing training and development programmes. During the induction programme, the newly appointed Directors will be briefed by the relevant Heads of Divisions on the functions and areas of responsibility of their respective divisions. This serves to familiarise the Directors with the operations and organisational structure of the Group as well as to provide them with a platform in establishing effective channel of communication and interaction with Management.

## **5.0.2 Evaluation of Training Needs**

The Board evaluates the training needs on a continuous basis and determines areas that would further their understanding of the issues facing the Group. The Company Secretary facilitates in organising internal and external programmes, training sessions, briefings, workshops and seminars for Directors. Directors may request that training programmes on specific subjects be arranged in order to facilitate them in discharging their duties effectively.

## **5. PROCESSES OF BOARD**

### **5.1 Board Meetings**

#### **5.1.1 Proceeding**

The Board shall hold at least four (4) board meetings or more annually.

#### **5.1.2 Notice of Meeting**

Unless otherwise determined by the Directors from time to time, seven (7) days' notice of all Directors' meeting shall be given to all Directors. Any Director may waive notice of any meeting either prospectively or retrospectively.

#### **5.1.3 Quorum for Board Meeting**

Under the Articles of Association, the quorum shall be two (2), unless otherwise determined by the Directors.

#### **5.1.4 Frequency of Meeting**

The Board shall meet regularly to discuss business strategy, financial performance, potential strategic acquisitions or alliances, matters pertaining to compliance and governance as well as reports on matters deliberated by the respective Board Committees. On a quarterly basis, among others, the Board reviews financial performance of the major subsidiaries, risk management and compliance reports and approves the quarterly results of the Group at its meeting.

#### **5.1.5 Attendance at Board Meeting**

Individual Directors shall attend at least seventy-five percent (75%) of the Board Meetings held in each calendar year. The office of a Director shall become vacant if a Director fails to attend at least seventy-five percent (75%) of the

meeting of the Board of Directors in a year without prior approval from Bank Negara Malaysia. Management is invited to attend Board and Committee Meetings to provide inputs as and when necessary.

#### **5.1.6 Conflict of Interest**

The Companies Act 1965, Bursa Listing Requirements and Financial Services Act 2012 subject the Directors to disclosure requirements. Directors shall comply with the Companies Act 1965 in connection with disclosure of shareholding and interests in the Group and interest in any contract or proposed contract with the Company, which include the nature, character and extent of any office or possession of any property, whether directly or indirectly, duties or interests that might be created in conflict with his/her duty or interest as a Director of the Company. General notice given by a Director is tabled at the Board Meetings and the declarations made are recorded in the minutes of the Board Meeting, in line with the Companies Act, 1965.

Internal policies and procedures are in place to address potential conflict of interest situations with guidance.

#### **5.1.7 Voting**

Any question arising at a Board Meeting is decided by a majority of votes and the Chairman has a second and casting vote. A Director is required to abstain from deliberations and voting in respect of any contract or proposed contract or arrangement in which he/she has direct or indirect interest.

The Chairman and the Board may, if deemed necessary and appropriate request an interested Director to excuse himself/herself in the deliberation.

#### **5.1.8 Right of Directors to access information and advice**

Management provides the Board and Committees with information in a form, within acceptable timeframe and quality that enable them to discharge their duties and responsibilities effectively.

Directors are entitled to request and receive additional information they consider necessary in order to make informed decisions, including the following:-

- (i) Obtaining full and unrestricted access to any information pertaining to the Company;
- (ii) Obtaining full and unrestricted access to the advice and services of the Company Secretary; and
- (iii) Obtaining professional independent advice, at the Company's expense.

In this respect, the Company had established a formal procedure for Directors to consult advisers and independent advice in legal, financial, governance or other expert advice in the course of their duties.

### **5.3 Financial Reporting**

The Board is responsible to ensure that the financial statements are prepared for each financial year and that it gives a true and fair view of the state of affairs of the Company. The GAC ensures that the financial statements comply with applicable financial reporting standard. The financial statements are prepared on a going concern basis. In preparing the financial statements, appropriate accounting policies are applied consistently and supported by reasonable and prudent judgements and estimates.

### **5.4 Non-Financial Reporting**

The financial performance is not the sole indicator of the overall performance of the Company. Non-financial performance indicators are equally important in ensuring sustainability. The Company puts in place the necessary steps to measure, disclose and be accountable to stakeholders for the economic, environmental and social impact of its activities. The Company assesses regularly the impact of its business operations and activities on the communities it operates in and has included corporate responsibility as part of the Company's business planning process.

### **5.5 Decision-making**

All strategic decisions and investments decisions are made at Board Meetings after due processes, discussions and deliberations. Where appropriate, decisions are also taken by way of circular resolutions in between scheduled meetings. Such resolutions are signed by all the Directors and valid as if it has been passed at a Board Meeting duly called and constituted.

### **5.6 Monitoring**

The Group Compliance framework lays down mechanisms and tools to ensure consistency and efficiency in managing compliance risk in all entities within the Group. Reviews are conducted by Group Compliance to assess the degree of compliance with regulatory requirements by entities/departments/units within the Group. The respective entity Boards, as well as the Group Board, are provided with compliance reports on a regular basis to facilitate the Boards having a holistic and overall view of all compliance matters across the Group.