

Index

1. Purpose
2. Size and Composition of the Board
3. Board Diversity
4. Qualification, Vacation of Office and Removal of Director
5. Board Professionalism
 - 5.1 Code of Conduct
 - 5.2 Directorship
 - 5.3 Conflicts of Interest
 - 5.4 Disclosure of Director Interests
 - 5.5 Independence
 - 5.6 Continuing Education
 - 5.7 Fit and Proper Requirements
6. Board Responsibilities
7. Board Roles
 - 7.1. Chairman/ Co-Chairman
 - 7.2. CEO/ Executive Director
 - 7.3. Independent Non-Executive Director(s) (INED)
 - 7.4. Non-Independent Non-Executive Director(s) (NINED)
 - 7.5. Company Secretary
8. Appointment of Board

9. Board and Director Performance Evaluation
 - Evaluation Process and Procedures
 - Post –Evaluation Process

- 10 Meeting, Quorum and Voting
 - 10.1. Meeting
 - 10.2. Quorum
 - 10.3. Voting

11. Accessibility of Information and Advice
 - 11.1. Access to Management and Information
 - 11.2. Access to the Company Secretary
 - 11.3. Access to Independent Professional Advice

12. Succession Planning

13. Indemnification and Directors and Officers Insurance

14. Review of Charter

1. Purpose

The main purpose of Progressive Insurance Bhd. (PIB) Board's Charter (the Charter) is to state the roles and responsibilities of the Board of Directors (the Board) with regards to the principles of good corporate governance as set out in the policy documents, rules and law enacted by the relevant bodies.

2. Size and Composition of the Board

2.1 The Board shall consist of no more than 10 members at any one time in accordance with PIB's Article of Association.

2.2 In determining the number of Directors in the Board, several considerations should be taken into account. These include but are not restricted to;

- a. Ensuring that the Company's future plans and strategies can be met with the Board's composition; and
- b. Board members with a diversity of skills are present in the Board; and
- c. That the appropriate balance between, Executive Director, Independent Non-Executive and Non-Independent Non-Executive Directors is met to ensure that no individual or group of individuals would dominate the decisions of the Board; and
- d. The need to avoid 'group think' mentality; and
- e. Avoiding the creation of Board Committees due to a low number of Board Members;
- f. Meeting the quorum requirements for Board Meetings; and
- g. Any other factor the shareholders deem fit.

2.3 The position of Chairman and Chief Executive Officer shall be held by two separate individuals to ensure that a balance of responsibilities, authority and accountability is satisfied at all times.

2.4 The Board shall be chaired by a Non-Executive Director. The Chairman must not be the CEO of the company in the last five years.

2.5 The Board via the Nominating Committee shall review the composition of the Board to ensure that a relevant composition and diversity of skills and size is maintained to meet the needs of the Company.

The Board size must promote effective deliberation, encourages active participation of all directors and all the working of various board committees.

3. Board Diversity

3.1. The selection of Board Members shall be based on skill, knowledge, experience, talents and ability compared to gender and ethnicity.

4. Qualification, Vacation of Office and Removal of Director

4.1 All Directors and candidates for the position should not be disqualified under section 59(1) of the Financial Services Act 2013, section 130A of the Companies Act 1965 and should meet the minimum qualification standards for Directors as prescribed by Bank Negara Malaysia.

4.2. An active politician shall not be appointed as a Director/ Chief Executive Officer. An active politician would be defined as a ;

- a. member of Parliament; or
- b. State Assemblyman; or
- c. Supreme Council Member; or
- d. Any other person holding a division level position in a political party.

4.3. Any lawyer or accountant appointed as a Director of the Company must take care to avoid situations or instances where a conflict of interest would be present between their professional duties and their duties as a Director of the Company.

4.4. Subject to any waiver from the appropriate authorities, a director's office will be made vacant if they;

- a. become unsound of mind
- b. become bankrupt
- c. is convicted in a court of law, whether in Malaysia or any other country.
- d. a letter of resignation is handed by the director to the Company.

4.5. Where a director is removed from office, written representation made by the said director shall be sent to other members of the Company under section 128(3)(b) of the Companies Act 1965. This would be so unless the situations stated under section 128(4) of the Companies Act 1965 arises.

5. Board Professionalism

5.1. Code of Conduct

The Director's Code of Ethics is created based on the Director's Code of Ethics established by the Companies Commission of Malaysia. The Director's Code of Ethics includes:-

- a. That they should have a clear understanding on the aims and purposes, capabilities and capacity of the Company;
- b. Trying to attend Meetings and to know the responsibilities as a Board and of their individual duties, and to discharge those duties;
- c. Ensure that the Company is being managed and controlled efficiently and effectively;
- d. Keep notified of the business of the Company and updated on any legislation or contractual agreements that the Company is to conform to;
- e. Being updated on all relevant matters of the Company in-line with good corporate governance;
- f. Should inform as soon as possible all contractual interests the Director has created either directly or indirectly with the Company;
- g. Should not use any advantage he may have from the Company in pursuing a certain business opportunity or any confidential information he obtained while in office for his personal advantage or from any other Director;
- h. Should act in good faith towards the Company with regards to any transactions and act responsibly and honestly in the usage of his powers to discharge his duties at all times;
- i. To exercise their own independent judgment and if the Company's vital interest is at stake, openly oppose where required any proposals;
- j. Relationship with all stakeholders :
 - ✓ At all times promote professionalism and improve the competency of management and employees; and
 - ✓ Ensure that safety measures and protections are given to staff in the office.
 - ✓ Should be aware of any interests held by the shareholder, employees, creditors and customers of the Company.
 - ✓ To render full cooperation when dealing with regulatory authorities.

5.2. Directorship

- a. A Director should limit his directorship to ensure that he is able to devote sufficient amount of time to fulfil their duties. The Board should obtain such a pledge from the person at the time of their appointment.

- b. If there are any changes to a Directors interest, they should inform the Company Secretary of such change within 14 days of those changes with such disclosure tabled at the following Board meeting for information and record.
- c. A Director must disclose their directorship and shareholdings in other companies on a yearly basis. Such disclosure shall be tabled at the Board Meetings for information.
- d. Each Board member must not hold more than five directorships in a publicly listed company.

5.3. Conflicts of Interest

- a. Directors are required to disclose any conflict of interest whenever they arise and withhold their opinions or votes if they have a personal interest in the matter except where it has been allowed by the Board.
- b. Situations where a conflict of interests can be seen would include but is not restricted to;
 - ✓ situations where the Director would gain a direct benefit from the transaction the Company is entering into.
 - ✓ being employed by other companies which can be seen as competitors.
 - ✓ situations where the director is related to one of the other party through familial bonds up to the third degree.
 - ✓ when the director has received valuable goods, services or donations from the party the Company is dealing with.
 - ✓ where the director has an interest in the party that the Company is investing in or is thinking of investing in.

5.4. Disclosure of Director Interests

If and when a director realises that a conflict of interest has or will occur, the director is required to disclose such interest to the Chief Executive Officer and the Board of Directors.

5.5. Independence

The Board will periodically assess the independence of a director in light of the interest disclosed by the director.

5.6. Continuing Education

- a. A director is required to keep up to date on the relevant law, statutes and business trends of the relevant industries.

- b. The Board is to evaluate the training required by its members.

5.7. Fit and Proper Requirements

In order to be appointed as a director and to remain as a director, a candidate must fulfil the definition of 'a fit and proper person' as well as make an annual declaration that they fulfilled the minimum criteria as prescribed under the Financial Services Act 2013.

6. Board Responsibilities

Directors are should direct their utmost efforts to ensure that the Company is properly managed and improved in order to safeguard and strengthen shareholders' value. The Board will assume the following responsibilities;

- a. reviewing and approving a strategic plan for the Company which promotes sustainability;
- b. ensuring that the Company is properly maintained to allow it to achieve its business goals.
- c. Identifying key business risks and ascertaining the Company's risk appetite.
- d. Reviewing the performance and management of the Senior Management to ensure sound corporate governance.
- e. Checking and ensuring the adequacy of the Company's internal controls and management information systems.
- f. the selection and appointment of ensuing Chief Executive officers.
- g. The establishment of the (i) Audit and Examination Committee (AEC) and Internal Audit Department and (ii) Risk Management Committee and Risk Management dept., as prescribed by Bank Negara Malaysia.
- h. To ensure that the Company is properly managed and informed on all the relevant affairs, law and regulations both internally and externally. Directors should ensure that such rules are followed by the Company and its staff.
- j. determining the adequate amount of capital for the Company which should match the risk being taken by the Company.

7. Board Roles

7.1. Chairman

- i. The Chairman is to act as the leader for the Board and chair all Board Meetings.
- ii. The Chairman shall manage the Board meeting including:
 - a. In consultation with the CEO and Company Secretary, set an agenda for each Board Meeting covering all relevant issues the Board needs to address during the meeting.
 - b. To ensure that all relevant information is promptly conveyed to the Directors.
 - c. To facilitate the active involvement of Directors during a Board Meeting.
 - d. To Chair all General shareholders meetings.
 - e. To ensure that proper guidelines and procedures are set up to regulate the Board's conduct, discussion and operation.

7.2 Chief Executive Officer (CEO) / Executive Director

The role of the CEO / Executive Director would include the following:-

- i. To act as the leader for the Management Team and as a connection between the Board and the Management Team
- ii. To exercise higher level business judgment and wisdom;
- iii. Implement any decisions and policies set by the Board effectively;
- iv. Ensure that the Board is kept informed of all important matters as regards the Company's operations and that adequate management reports are submitted to the Board.

7.3 Independent Non-Executive Director(s) (INED)

- i. The INED must be independent in character and judgement, and free from circumstances that may impair his independent and unbiased views to any assessments or deliberations made by the Board.
- ii. The tenure of the INED should not exceed nine years unless under exceptional situation
- ii. The INED cannot be considered independent if he or any person linked to him:
 - Has been an executive in the last two years.
 - is a substantial shareholder of the company
 - has had significant business or other contractual relationship with the company.

- iii. They ensure that the relevant measures are taken protect the shareholders' interests and that good corporate governance is applied and prevailed at all times.

7.4 Non-Independent Non-Executive Director(s) (NINED)

- i. To advise the Management Team in the development and evaluation of their strategies.
- ii. Monitor the strategies implemented by the Management and operational efficiency.
- iii. Ensure that the risk management plans and internal control systems are adequate.

7.5. Company Secretary

- i. A Company Secretary should not be disqualified under section 139C of the Companies Act, 1965.
- ii. The Company Secretary should do the following:-
 - Prepare the agenda of the Board Meeting along with the Chairman and the CEO while at the same time notifying all Directors of the Board Meeting;
 - Attend all Board Meetings to ensure that meetings are properly assembled and that the proceedings of the Board Meeting are properly recorded;
 - Provide the required access and services to the Board;
 - Advise the Board on the information that needs to be disclosed to the shareholders;

8. Appointment of Board

- i. The Directors shall from time to time appoint a new Director, either to fill up a vacancy or to add to the total number of Directors on the Board.
- ii. All candidates must be approved by BNM pursuant to section 54(2) of the Financial Services Act 2013.
- iii. In accordance with the Articles of Association (Articles) of the Company, one third of the Directors shall retire by rotation at each Annual General Meeting (AGM). A Director that is appointed during the year shall retire at the following AGM.

9. Board and Director Performance Evaluation

A yearly evaluation shall be performed of the Board, individual Directors, Board Committees and their members by the Nominating Committee. The evaluation will cover amongst others the following areas:

- ✓ Composition
- ✓ Quality of Inputs

- ✓ Level of Experience
- ✓ Contribution and Performance
- ✓ Timely Reporting
- ✓ Fit and Proper requirements.

10. Meeting, Quorum and Voting

10.1. Meeting

- i. The Board is required to meet at least six times each year. Any additional meetings are to be held when they are required.
- ii. All Directors must meet the attendance requirements as stipulated by BNM.
- iii. The meetings shall be carried out based on an agenda approved by the Chairman.
 - All Directors must be given sufficient time to review the meeting papers before the Board Meeting.
 - The agenda of the Board Meeting, the draft minutes of the previous Meeting and meeting papers shall be circulated to the Board at least two weeks prior to the Board Meeting in question. Any urgent matters that arise after circulation may be included in the Meeting under a supplemental agenda.
- iv. Key matters that are reserved for Board approval would include:-
 - new and changes to all policies
 - matters which are classified as significant
- v. The Board should be consistently informed and updated on matters with regards to:-
 - business strategy and operations;
 - Financial and business reviews and development;
 - Information on business propositions.
- vi. The Board shall be kept informed on decisions and significant issues discussed by the Board Committees through the Chairman of the respective Board Committees at the Board Meeting.
- vii. If the Chairman is absent during the Board Meeting, the members present shall be select among themselves one person to be the Chairman of the Board Meeting.

- viii. Board resolutions passed through a circular resolution and are signed by all of the members shall be held as being valid as if it had been passed by the Board.
- ix. Circular resolutions shall not be used to pass complex matters which requires thorough discussion and consideration by the Board.
- x. Circular resolutions passed by the Board shall be tabled at the next Board Meeting for the Board's information.

10.2. Quorum

- The quorum of the Board Meeting should be three members.

10.3. Voting

- i. Every Board Member shall have the right to vote and speak on any matter tabled at the Meeting. The Company Secretary and any other invited person shall be given a right to speak but will not have the right to vote.
- ii. All matters that require the Boards approval shall be put to a vote and passed by a majority vote. If there is a tie between Board Members, the Chairman shall be given the deciding vote.
- iii. Members of the Board who have a direct interest in the subject being presented to the Board shall abstain from any discussion and voting on that particular subject.

11. Accessibility of Information and Advice

11.1. Access to Management and Information

- i. The Board is to have full access to all relevant information and documents with regards to the company's management of its business and affairs. This would include access to the company's auditors and consultants.
- ii. The Board may invite any employees to attend Board Meetings to aid in any of its discussion.
- iii. The Board should be informed or updated on any important issues and/or development of any matters discussed in the last Board Meeting. This information can be given by either Management and/or the Company Secretary in between Board Meetings.

11.2. Access to the Company Secretary

- i. The authority to select or remove the Company Secretary shall rest with the Board.
- ii. All Directors may ask the Company Secretary for advice and services for the purposes of the Board's affairs.
- iii. The Company Secretary shall jointly work with the Management to ensure that the relevant information is conveyed to the Board and the Board Committees in a timely manner.

11.3. Access to Independent Professional Advice

- i. Each Board member shall be allowed to obtain independent advice at the cost of the company when carrying out their duties.
- ii. The purpose for seeking independent advice and the cost of such advice shall be presented to the Board for approval. That member may only get independent advice once the Board approves.
- iii. Independent advice would include but is not limited to finance, legal, accounting, governance or any other professional advice. Professional advice with regards to the Directors personal interest shall be excluded unless the Board unanimously decides otherwise.

12. Succession Planning

- i. Any candidate selected as a successor of a Board Member shall be of sufficient calibre. The Board must be satisfied that there are procedures to ensure that succession occurs in an orderly fashion.
- ii. The Nominating Committee is given the responsibility of overseeing the succession program for the Senior Management.
- iii. The Nominating Committee shall annually review the composition of the Board with regards to its size, mixture of skills, balance between Executive, Independent Non-Executive Directors and Non-independent Non-Executive Directors.
- iv. The Board relies on the Directors' network, shareholders' recommendation and industry database to look for potential candidates for appointment to the Board.

13. Indemnification and Directors and Officers Insurance

- i. The Company shall not indemnify a Director from:-
 - Wilful misconduct or breach of trust by the Director;

- The Director acting without the relevant authority;
 - Reckless trading; or
 - Any fraudulent actions carried out by the Director.
- ii. The Company shall obtain adequate insurance protection for any unintentional negligence by the directors in the course of discharging their duty as director of the company.

14. Review of the Charter

The Board will regularly review this charter and other charters of the Board Committees to ensure that the Charters remain consistent with all Board objectives and responsibilities including any relevant standards of corporate governance.