



PROGRESSIVE INSURANCE BHD (19002-P)

(Registration No. 197401001891)

BOARD CHARTER

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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 not less than five but not more than 10 members at any one time in accordance with PIB's Constitution.
- 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;
 - b. Board members with a diversity of skills are present in the Board;
 - c. The Board must have a majority of independent Directors at all time;
 - d. Meeting the quorum requirements for Board Meetings; and
 - e. 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 are satisfied at all times.
- 2.4 The Board shall be chaired by an Independent Non-Executive Director. The Chairman must not be the CEO of the Company in the last five years prior to his/her appointment as Chairman of the Company.
- 2.5. The Board via the Nominations Committee shall review the composition of the Board from time to time to ensure that a relevant composition and diversity of skills and size is maintained to meet the needs of the Company.
- 2.6. 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 of Director should not be disqualified under section 59(1) of the Financial Services Act 2013, section 199 of the Companies Act 2016 and should meet the minimum qualification standards for Directors as prescribed by Bank Negara Malaysia (BNM).

- 4.2. An active politician shall not be appointed as a Director/ Chief Executive Officer. An active politician would be defined as:
- 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 arising from any of the following events, namely:
- a. If he resigns his office by writing under his hand left at the office.
 - b. If a receiving order be made against him or makes any arrangement or composition with his creditors.
 - c. If he be found lunatic or become unsound of mind.
 - d. If he is an undischarged bankrupt.
 - e. If he is absent from meetings of the Directors for six months without leave and the Directors resolve that his office be vacated.
 - f. If he does not attend at least 75% of the meetings of the Board per annum for two consecutive years without valid reason and the Directors resolve that his office be vacated
 - g. If is convicted in a court of law, whether in Malaysia or any other country.
- 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 206 of the Companies Act 2016. This would be so unless the situations stated under section 207 of the Companies Act 2016 arises.

5. Board Professionalism

5.1. Code of Conduct and Ethics for Directors

The Director's Code of Conduct and 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 without interfering with the day-to-day management of the Company.
- d. Keep notified of the business of the Company and updated on any legislation or contractual agreements that the Company is required to conform to.
- e. Being updated on all relevant matters of the Company in-line with good corporate governance practice.

- 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:
 - i. At all times promote professionalism and improve the competency of management and employees; and
 - ii. Ensure that safety measures and protections are given to staff in the office.
 - iii. Should be aware of any interests held by the shareholder, employees, creditors and customers of the Company.
 - iv. To render full cooperation when dealing with regulatory authorities.

In addition to the Code of Conduct and Ethics, the Board has also endorsed a Whistle Blowing Policy which provides a structured reporting channel to all parties, whether internal or external, to report on any unethical conduct, without fear of retribution by the Company.

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 Director's 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:
 - i. Situations where the Director would gain a direct benefit from the transaction the Company is entering into.
 - ii. Being employed by other companies which can be seen as competitors.
 - iii. Situations where the Director is related to one of the other party through familial bonds up to the third degree.
 - iv. When the Director has received valuable goods, services or donations from the party the Company is dealing with.
 - v. 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's Interests

- a. If and when the 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.
- b. The Company Secretary shall record every conflict of interest disclosure made by the directors in the minutes of the Board meeting at which the disclosure is made.
- c. Non-compliance with this Conflict of Interest Policy by any Directors may lead to sanction or such other actions as may be approved by the Board. The directors shall also have regard to the consequences of a breach of the provisions of the FSA arising from the non-compliance with the conflicts of interest requirement set out in the FSA and any corresponding policy document issued by BNM.

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. The 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 member.

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 and BNM's Policy Document on "Fit and Proper Criteria".

6. Board Responsibilities

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair

dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public. In fulfilling this role, the Board must:

- a. Approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on PIB's risk profile.
- b. Oversee the selection, performance, remuneration and succession plans of the CEO, control functions heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of PIB.
- c. Oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of PIB's Operations.
- d. Promote, together with senior management, a sound corporate culture within PIB which reinforces ethical, prudent and professional behaviour.
- e. Promote sustainability through appropriate environmental, social and governance considerations in PIB's business strategies.
- f. Oversee and approve the recovery and resolution as well as business continuity plans for PIB to restore its financial strength and maintain or preserve critical operations and critical services when it comes under stress.
- g. Promote timely and effective communications between PIB and Bank Negara Malaysia (BNM) on matters affecting or that may affect the safety and soundness of the PIB.
- h. To ensure that the Company is properly managed and informed on all relevant affairs, law and regulations both internally and externally. Directors should ensure that such rules are followed by the Company and its staff.
- i. The establishment of the Board Nominations Committee, Board Remuneration Committee, Board Audit Committee (AC), Board Risk Management Committee as prescribed by Bank Negara Malaysia. Each Board Committee must:
 - i. Have at least three Directors;
 - ii. Have a majority of Independent Directors;
 - iii. Be chaired by an Independent Director; and
 - iv. Comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee.
- j. To appoint a dedicated Company Secretary to support the functioning role of Board and Board Committees.

- k. To approve the Remuneration policy of PIB.

7. Board Roles

7.1 Chairman

7.1.1 The Chairman is to act as the leader for the Board and chairs all Board Meetings.

7.1.2 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.
- f. Ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategies and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.
- g. Encourage healthy discussions and ensure that dissenting views can be freely expressed and discussed; and
- h. Lead efforts to address the Board's developmental needs.

7.2 Deputy Chairman

7.2.1 The role of Deputy Chairman would include the following:

- a. To assist and support the Chairman in providing leadership to the Board, through the governance arrangements and assist in the execution of his responsibilities as set out in Paragraph 7.1.
- b. In the Chairman's absence, to chair meetings of the Board and to deputise for the Chairman in any other ways as appropriate.

7.3 Chief Executive Officer (CEO)

7.3.1 The role of the CEO would include the following:

- a. To act as the leader for the Management Team and as a connection between the Board and the Management Team;
- b. To exercise higher level business judgment and wisdom;
- c. Implement any decisions and policies set by the Board effectively; and

- d. 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.

7.3.2 The day-to-day management of the business of the Company is delegated by the Board to the CEO. The CEO is authorized to sub-delegate any or all the authorities granted to him to Senior Management or such other persons and may authorize such persons to take decisions on his behalf and further sub-delegate on such terms as he shall see fit, subject to there being in place a formal system of delegation of authorities and in compliance with the Company's policies and reporting requirements as stipulated by the Board from time to time.

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

- a. 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.
- b. The tenure of the INED should not exceed nine years unless under exceptional situation.
- c. The INED cannot be considered independent if he or any person linked to him:
 - i. Has been an executive in the last two years.
 - ii. Is a substantial shareholder of the Company.
 - iii. Has had significant business or other contractual relationship with the Company.
- d. They ensure that the relevant measures are taken protect the shareholders' interests and that good corporate governance is applied and prevailed at all times.
- e. The INED must immediately disclose to the Board any change in his circumstances that may affect his status as an Independent Director and notify the Bank in writing of its decision to affirm or change his designation.

7.5 Company Secretary

- a. A Company Secretary should not be disqualified under section 238 of the Companies Act 2016.
- b. The Company Secretary should do the following:
 - i. 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.
 - ii. Attend all Board Meetings and Board Committee Meetings to ensure that meetings are properly assembled and that the proceedings of the Board meetings are properly recorded.
 - iii. Provide the required access and services to the Board.
 - iv. Advise the Board on the information that needs to be disclosed to the shareholders.
 - v. Shall keep confidential the affairs of PIB and its officers at all times.

8. Appointment of Board Members

- a. 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.
- b. All candidates must be approved by BNM pursuant to section 54(2) of the Financial Services Act 2013.
- c. In accordance with the Constitution 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 Directors' Performance Evaluation

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

- a. Composition
- b. Quality of Inputs
- c. Level of Experience
- d. Contribution and Performance
- e. Timely Reporting
- f. Fit and Proper requirements.

10. Meeting, Quorum and Voting

10.1 Meeting

- a. The Board is required to meet at least six times each year. Any additional meetings are to be held when they are required.
- b. All Directors must meet the attendance requirements as stipulated by BNM.
- c. The meetings shall be carried out based on an agenda approved by the Chairman.
 - i. All Directors must be given sufficient time to review the meeting papers before the Board Meeting.
 - ii. The agenda of the Board Meeting, the draft minutes of the previous Meeting and meeting papers shall be circulated to the Board at least 7 calendar days prior to the Board Meeting in question. Any urgent matters that arise after circulation may be included in the Meeting under a supplemental agenda.
- d. Key matters that are reserved for Board approval would include:
 - i. New and changes to all policies.
 - ii. Matters which are classified as significant.
- e. The Board should be consistently informed and updated on matters with regards to:-

- i. Business strategy and operations;
 - ii. Financial and business reviews and development;
 - iii. Information on business propositions.
- f. 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.
- g. 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.
- h. 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.
- i. Circular resolutions shall not be used to pass complex matters which requires thorough discussion and consideration by the Board.
- j. Circular resolutions passed by the Board shall be tabled at the next Board Meeting for the Board's ratification.

10.2 Quorum

The quorum of the Board Meeting should be three Directors for the time being or at least half of the Board members to be present.

10.3 Voting

- a. 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.
- b. All matters that require the Board's approval shall be put to a vote and passed by a majority vote at meetings except that if by way of written resolution, it shall be signed by all Directors to be effective as passed at a meeting of a Director duly convened. If there is a tie between Board Members, the Chairman shall be given the deciding vote.
- c. 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

- a. 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.
- b. The Board may invite any employees to attend Board Meetings to aid in any

of its discussion.

- c. 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

- a. The authority to select or remove the Company Secretary shall rest with the Board.
- b. All Directors may ask the Company Secretary for advice and services for the purposes of the Board's affairs.
- c. 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

- a. The Board Committees shall be allowed to obtain independent advice at the cost of the Company when carrying out their duties.
- b. The purpose for seeking independent advice and the cost of such advice shall be presented to the Board for approval. That Board Committees may only get independent advice once the Board approves.
- c. 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

- a. The Board is responsible to establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies including to oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company.
- b. Any candidate selected as a successor of a Board Member shall be of sufficient caliber. The Board must be satisfied that there are procedures to ensure that succession occurs in an orderly fashion.
- c. The Nominations Committee is given the responsibility to support the Board in carrying out its functions in the following matters concerning the Board and Senior Management:

(a) succession program for the Board and Senior Management;

- (b) appointments and removals;
 - (c) composition;
 - (d) performance evaluation and development; and
 - (e) fit and proper assessments.
- d. The Nominations 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.
- e. 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

- a. The Company shall not indemnify a Director from:
- i. Willful misconduct or breach of trust by the Director;
 - ii. The Director acting without the relevant authority;
 - iii. Reckless trading; or
 - iv. Any fraudulent actions carried out by the Director.
- b. 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 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.

Approved by the Board on 28th June 2021.
(241st Board of Directors' Meeting)