

# MANULIFE INSURANCE LABUAN LIMITED

## 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 stakeholders' confidence towards achieving the Manulife Insurance Labuan Limited ("the Company")'s corporate objectives and vision.

The purpose of this Board Charter is to promote the highest standards of Corporate Governance within the Company 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 Company 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 Memorandum & Articles of Association ("M&A") specify that the number of directors shall not be less than one (1) and not more than nine (9). The Board has power under the M&A to appoint a director to fill a casual vacancy or as an additional director. The Board also has power under the M&A to appoint an alternate director, who shall be entitled to be given notice of meetings of Board and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to have and exercise all the powers, rights, duties and authorities of the Director appointing him.

##### 2.1.2 Independence and Make-up

- i. The Board should ensure that its composition is effective with strong independence element. For that purpose, the Board must have a balance of executive directors and non-executive directors at all times.
- ii. The Chairman must be a non-executive member of the Board.
- iii. At least one member of the Board must be qualified or has experience in the industry that the Company is in.

#### 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:

- i. Strategic/business plans and annual budget.
- ii. New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.
- iii. Acquisition and disposal of significant assets of the Company.
- iv. Appointment of new Directors, Principal Officer and other senior management positions based on recommendations of the Group Nominating and Remuneration Committee.
- v. Related party transactions that are material in nature and capital financing.
- vi. Business Continuity Plans for the Company.

The overall principal responsibilities of the Board are as follows:

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- i. Providing clear objectives and policies within which the senior management of the Company is to operate.
- ii. Overseeing the implementation of the corporate governance and internal control framework.
- iii. Overseeing the succession plan, including the selection, remuneration and performance review of principal officer, control function heads and other members of the senior management.
- iv. Ensuring that there are adequate controls and systems in place to facilitate the implementation of the Company's policies.
- v. Monitoring Management's success in implementing the approved strategies, plans and budget within the approved risk appetites.
- vi. Understanding the principal risks of all aspects of the businesses in which the Company 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 Company.
- vii. Monitoring and assessing development which may affect the Company's strategic plans.
- viii. 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.
- ix. Promoting, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and profession.
- x. Avoiding conflicts of interest and ensuring appropriate disclosure of possible conflicts of interest.
- xi. Promoting timely and effective communication between the Company and the Labuan Financial Services Authority on matters affecting or that may affect the safety or the soundness of the Company.
- xii. Upholding and observing relevant laws, rules and regulations.

### 2.3 Separation of position of Chairman and Principal Officer

To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and Principal Officer are distinct and separate with a clear division of responsibilities between the Chairman and the Principal Officer, 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 decisions are taken on a sound and well-informed basis, and that all strategic and critical issues are considered by the Board;
- v. The Board receives the necessary information on a timely basis from Management;
- vi. Avenues are provided for all Directors to participate openly in the discussion and that dissenting views can freely expressed and discussed;
- 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 establishing and monitoring good corporate governance practices in the Company.

### 2.5 Individual Directors

The accountabilities set out below are meant to serve as a framework to guide individual in their participation on the Board, with a view of enabling the Board meet its duties and responsibilities of Directors. Principal accountabilities includes but not limited to:

- i. maintaining a general but clear understanding of the Company, its strategic and financial plans and objectives, emerging trends and issues, significant strategic initiatives and

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- capital allocations and expenditures, risk to the Company and the management of those risks, internal systems, processes and controls, its compliance with applicable laws and regulations and governance, audit and accounting principles and practices and the Company's Management who are accountable to meet these duties;
- ii. preparing appropriately for each Board meeting by reviewing the materials provided and requesting, where appropriate, information that will allow the Director to properly participate in the Board's deliberations, probe management and make informed business judgement;
  - iii. attend at least 50% of the Board meetings and actively participating in deliberations and decisions;
  - iv. voting (for, against or abstaining) on all decisions of the Board except for where there is a conflict of interest of a Director in respect of a particular matter;
  - v. preventing their own interests from conflicting with, or appearing to conflict with, the interests of the Company and disclosing details of such conflicting interest should they arise; and
  - vi. acting in the highest ethical manner and with integrity in all personal and professional dealings.

### 2.6 Role of Principal Officer

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

The Principal Officer leads the Management team in carrying out the corporate strategy and vision of the Company. As Principal Officer, he is accountable to the Board for the day-to-day management and operations of the Company's businesses.

The key roles of Principal Officer include, among others:-

- i. Together with the Board sets objective, visions, targets and strategic direction of the Company;
- ii. Implementing the business and risk strategies, and other policies in accordance with the direction given by the Board;
- iii. Providing directions in the implementation of short and long term business plans;
- iv. Providing strong leadership and ensure that the vision, management philosophy and business strategy are communicated across all levels in the Company;
- v. Keeping the Board fully informed of all important aspects of the Company's operations on regular basis so that the Board can carrying out its oversight responsibilities; and
- vi. Ensuring the day-to-day business affairs of the Company are effectively managed.

### 2.7 Roles of Board Committees

The Board delegates specific responsibilities to the Board Committees of Manulife Holdings Berhad comprising:-

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

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

The Principal Officer, or the Group Chief Executive Officer of Manulife Holdings Berhad will report to the Board on matters dealt with at the respective Board Committees meetings. 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 Company's success, business, strategy, risk management, operational and financial performance.

#### 2.7.1 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.

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### 2.7.2 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 organisation, approving and reviewing Group risk management policies, setting risk appetite, reviewing risk profile and ensuring a “risk-awareness” culture is embedded within the Group.

### 2.7.3 Group Nominating and Remuneration Committee

The GNRC reviews the procedure for appointment, removal and remuneration policy of Directors, Board Committees and Key Senior Management of the Group excluding Manulife Insurance Berhad. It also undertakes individual assessment of Directors eligible for new appointment and re-appointment.

## 3. BOARD FUNCTIONS

### 3.1 Ethics and Compliance

#### 3.1.1 Code of Ethics for the Board

The Board observes the following:

- i. The Labuan Companies Act 1990 and the Labuan Financial Services and Securities Act 2010
- ii. Manulife’s Code of Business Conduct and Ethics

Manulife’s Code of Business Conduct and Ethics will be periodically reviewed and published on the Company’s website – [www.manulifelabuan.com.my](http://www.manulifelabuan.com.my).

#### 3.1.2 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.

#### 3.1.3 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.

#### 3.1.4 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 Company 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 Company 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.

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### 3.1.5 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 Company operates.

### 3.2 Risk Management

An Enterprise Risk Management (ERM) framework is established to manage risks and opportunities effectively. The ERM framework requires the Company 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 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 Corporate Social Responsibility

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

- i. Focusing on the responsibilities emphasised in its corporate philosophy;
- ii. Heartening the communities in which it operates;
- iii. Maintaining high integrity at the market place through ethical business conduct, good corporate governance practices and enhancement of the shareholders' value; and
- iv. Creating a safe and conducive working environment for its employees with concern on their safety, health and welfare.

## 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 Company. 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 Company'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 Other Directorships

Each Director confirms his/her time commitment to the Board at the time of appointment.

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In addition, he/she shall notify the Chairman upon accepting any new directorship.

### 4.3 Tenure of Independent Directors

The tenure of service of Independent Directors shall not exceed a cumulative term of nine (9) years. An Independent Director who has served the Company for a cumulative term of nine (9) years may continue to serve on the Board as Independent Director, subject to GNRC's recommendation and shareholders' approval annually.

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

### 4.4 Succession Planning

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

### 4.5 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 board diversity can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as aid the Board in its decision-making process.

### 4.6 Directors' Remuneration

The Company had via the GNRC periodically review the compensation framework of Non-Executive Directors to ensure that it remains market competitive.

The compensation packages of the Principal Officer and Key Senior Management are based on Key Performance Indicators (KPIs) that are linked to the Company's and the individual's performances.

### 4.7 Board Effectiveness

The Board recognises the importance of assessing the effectiveness of individual Directors and the Board. Annually the GNRC provides a formal and transparent procedure for the assessment of the effectiveness of individual Directors and the Board as a whole.

### 4.8 Directors Training & Development

#### 4.8.1 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 Company's businesses and strategy, and the key risks and issues with which they are faced. The induction programme is supplemented by on-going 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 Company as well as to provide them with a platform in establishing effective channel of communication and interaction with Management.

#### 4.8.2 Evaluation of Training Needs

The Board shall via its GNRC evaluates the training needs on a continuous basis and determines areas that would further their understanding of the issues facing the Company. 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 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.



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### 5.1.2 Quorum for Board Meeting

The quorum shall be at least half of the Board members.

### 5.1.3 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 Company, risk management and compliance reports and approves the quarterly results of the Company at its meeting.

### 5.1.4 Attendance at Board Meeting

Individual Directors shall attend at least fifty percent (50%) 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 fifty percent (50%) of the meeting of the Board in a year. Management is invited to attend Board and Committees Meetings to provide inputs as and when necessary.

### 5.1.5 Conflict of Interest

The Labuan Companies Act 1990 subject the Directors to disclosure requirements. Directors shall comply with the Labuan Companies Act 1990 in connection with disclosure of shareholding and interests in the Company 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 Labuan Companies Act 1990.

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

### 5.1.6 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.

### 5.1.7 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.

## 5.2 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 standards. The financial statements are prepared on a going concern basis. In preparing the financial

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statements, appropriate accounting policies are applied consistently and supported by reasonable and prudent judgements and estimates.

### 5.3 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.

### 5.4 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.

### 5.5 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 entities 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.

## 6. Company Secretary

- 6.1 The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provided counsel to the Board on governance matters and facilitates effective information flows between the Board, the Board Committees and Senior Management.
- 6.2 The Company Secretary shall keep confidential the affairs of the financial institution and its officers at all times. Accordingly, where the Company Secretary also serves as Company for a financial institution's affiliates, he/she shall not disclose the affair of the financial institution or its officers to the affiliates except with the knowledge and consent of the financial institution.
- 6.3 The Board shall assess the performance of the Company Secretary annually to ensure the key performance metrics set by the Board on them are duly satisfied.