



***QBE INSURANCE (MALAYSIA) BERHAD***

**BOARD CHARTER**

## 1. Introduction

This board charter sets out the key principles for the operation of **the** board of directors (“Board”) of **QBE Insurance (Malaysia) Berhad** (the “Company”).

## 2. Role

The role of the Board is to provide guidance and oversight of the Company. This includes approving business plans, establishing a framework of risk management and internal control, ensuring that the necessary financial and human resources are in place to execute the business plans, monitoring the performance of management in the delivery of the plans and instilling the values and culture set by QBE Insurance Group Limited (“QBE Group”).

The ultimate responsibility for management of the Company rests with the Board, although responsibility for the day to day operation of the Company is delegated to the Chief Executive Officer.

## 3. Composition

The Board will be comprised of a minimum of five directors, whereby there are **four** non-executive directors and **one** executive as follows:

No alternates shall be permitted unless agreed by the Chairman at a meeting of the Company.

The Chairman of the Company will be a non-executive director.

A Company Secretary will be appointed to the Company.

Composition of the Board will be reviewed at least annually.

### Size

The size of the Board and the individual board members will be determined by the Board itself with the aim of ensuring that the Board is of an effective size and composition to adequately fulfil its role and be conducive to making decisions efficiently in the best interests of the Company as a whole. Consideration will also be given to the following objectives:

- the Board should include an appropriate combination of non-executive directors and executive directors such that no individual or small group of individuals can dominate the Board’s decision taking;
- the Board should bring together a broad range of skills, experience and knowledge in order to contribute to full discussion and appropriate challenge, with a view to reaching informed and consensus decisions; and
- the Board collectively has the necessary qualifications and experience to understand the risks of the Company, including its legal obligations, and to ensure that the Company is managed in an appropriate way taking into account these risks.

### Chairman

The Chairman will be a non-executive director.

The role of Chairman should be separate from the role of the Chief Executive Officer.

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board’s functioning. The Chairman should facilitate the effective contribution of all

directors and promote a culture of openness and constructive debate between directors and between the Board and management. The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information to ensure that decisions are taken on a sound and well-informed basis.

The Board will be chaired by the Chairman or, if not present, by the senior non-executive director (where one has been appointed) or, if not present, by any non-executive director present or, if none present, by another board member present. For such meeting, the acting Chairman shall have the powers and authority of the Chairman.

### **Non-executive directors**

Non-executive directors should actively participate in decision-making processes of the Board and in particular should provide constructive challenge to, and objective judgement in, the development of strategy and the review of performance and resources. They should scrutinise the performance of management in meeting agreed objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

### **Chief Executive Officer**

The Board appoints a Chief Executive Officer (“CEO”) who reports to the Board. The CEO has primary responsibility for the management of the Company and is responsible to the Board in particular for the performance of the Company.

The CEO must manage the Company in accordance with the strategy, business plans and policies approved by the Board to achieve the agreed objectives subject to market conditions.

Executive directors should execute the agreed strategy. Responsibilities of executive directors therefore extend to the whole of the business and not just that part covered by their individual executive role.

### **Board tenure and renewal**

The Board will review its size and composition, and that of its Committees, annually as part of the board performance process to ensure that it remains open to new ideas and independent thinking, while retaining adequate expertise.

In considering the maximum tenure for a director, consideration will be given to whether directors have served on the Board for a period, which could, or could reasonably be perceived to, materially interfere with their independence. The maximum tenure for a non-executive director will generally not exceed ten years, unless otherwise approved by the Board.

### **Company Secretary**

The Company Secretary supports the effectiveness of the Board by monitoring adherence to any board procedures and co-ordinating meetings of the Board (including preparation of agendas, circulation of papers and preparation and circulation of minutes of meetings).

The Company Secretary’s responsibilities include assisting with good information flows within the Board and its Committees and between non-executive directors and senior management, as well as facilitating induction and professional development as required. The Company Secretary may also provide guidance to directors in respect of legal and regulatory responsibilities.

#### 4. Authority

The Board has the power to carry out such actions as appropriate to fulfil its role and may delegate such of that power to support it in meeting its responsibilities. The authority of the Board includes, but is not limited to:

- investigating any activity within its charter;
- obtaining all information necessary for the performance of its role as set out in this charter;
- accessing the Company's CEO, executives and other employees as required for the performance of the Board's role as set out in this charter, including to seek additional information and explanation during its meetings; and
- appointing specialist independent third party advisers, legal, accounting or otherwise, to independently advise the Board.

The Board may establish such Committees as it considers appropriate, including determining membership of the Committees and their charter, each of which will be reviewed by the Board at least annually. The Board will receive and review reports from the Committees on their activities.

The Board will monitor the exercise of its delegated authority by considering minutes of Committee meetings (as relevant) for compliance with the delegations, and, where appropriate, will take corrective action.

The Board delegates to the CEO all the powers, to the extent necessary, to allow the CEO to effectively manage the business of the Company subject to:

- the matters specifically noted in Schedule 1 that require board approval; and
- the delegated authorities in place from time to time issued by the CEO of QBE Group.

The Board will evaluate the CEO's delegated authority at least annually.

#### 5. Responsibilities

The Board's responsibilities include:

- establishing business plans;
- evaluating and monitoring performance against business plans and ensuring that appropriate resources are in place to meet these plans and that action plans are in place to address any key issues identified;
- evaluating and approving material transactions (including acquisitions and disposals), material financial transactions (including capital expenditure) and material changes to business activities and key policies, in each case outside of business plans and budgets;
- monitoring the performance of the CEO;
- evaluating and approving succession planning for the CEO and senior executives in conjunction with QBE Group;
- reviewing and approving the Company's financial reporting, including the effectiveness of its financial reporting framework and monitoring the integrity of financial reporting;
- approving and monitoring the Company's risk and capital management frameworks and internal control framework, including the setting of risk appetite and reviewing the effectiveness of the frameworks;
- monitoring the Company's investment performance;
- monitoring the Company's operations against legal and regulatory responsibilities;
- establishing and monitoring corporate governance structures for the Company;

- establishing and overseeing the design and operation of the Company remuneration framework;
- undertaking a formal annual review of its own performance, that of its committees and individual directors;
- considering the balance of interests between shareholders, employees, customers and other stakeholders; and
- maintaining clear communication with the stakeholders.

## 6. Reserved matters

The matters that must be approved by the Board are set out in Schedule 1.

## 7. Meetings

The Board will meet not less than four times a year and more frequently as required.

A quorum for meetings will be three directors, including a non-executive director, unless otherwise specified by the Company's constitution or applicable regulatory requirements. Decisions will be made by a majority of directors present and voting.

The Chairman, in consultation with the CEO and Company Secretary, will finalise the agenda for each meeting. Directors may suggest additional agenda items and may raise at any board meeting items that are not on the agenda.

A notice of each meeting confirming the date, time, venue and agenda will be approved by the CEO and forwarded to each member of the Board generally not less than one week prior to the date of the next meeting. The notice will include relevant supporting documentation for agenda items to be discussed.

## 8. Reporting

The discussions and resolutions of the Board will be recorded in minutes, which must be signed by the Chairman of the meeting. The minutes are to be kept in accordance with applicable law.

The Company Secretary will prepare and circulate minutes of meetings of the Board to all board members within a reasonable time after each meeting.

The CEO will update the members of the Board as appropriate on the resolution of issues raised in previous Board meetings.

## 9. Access

The members of the Board must be available upon reasonable notice to meet with relevant regulators if requested to do so.

## 10. Other matters

### Conflicts of interest

All directors must declare their interests in matters to be decided by the Board and any other conflicts or potential conflicts between his or her personal or business interests, the interests of any associated person or his or her duties to any other organisation, on the one hand, or his or her duties to the Company, on the other hand.

A director should consider abstaining from deliberating and voting with respect to a transaction or matter concerning the Company in which he or she has a conflicting interest and will not be counted in the quorum of any board meeting at which the transaction is considered.

The Board may resolve in exceptional circumstances to permit a director to have involvement in a matter involving possible circumstances of conflicting interests but in that event, the Board must minute the basis of the determination and the nature of the conflict, including a formal resolution concerning the matter.

### Board commitment

All non-executive directors should be able to allocate sufficient time to the Company to discharge their responsibilities effectively. This will be considered and assessed during the nomination process and annual board performance review. Non-executive directors should disclose to the Board any other significant commitments and should advise the Chairman on an ongoing basis should their circumstances materially change.

### Board effectiveness

The Board will have a process for assessing, at least annually, the Board's effectiveness in performing its role and responsibilities. This assessment will also include the performance of individual directors and of Committees.

The Chairman will be responsible for facilitating this process and will report the results of such evaluations to the Board, Committees and individual directors (as relevant).

### Access to information, training and independent advice

All directors will receive induction on joining the Board and should regularly update and refresh their skills and knowledge. The **Company** will provide the necessary resources for developing and updating its directors' knowledge and capabilities. To function effectively, all directors need appropriate knowledge of the **Company** and access to its operations and staff.

The Board collectively, and each director individually, may seek independent professional advice at the expense of the **Company** on any matter connected with the carrying out of his or her directors' responsibilities. This advice includes, but is not limited to, legal, accounting and financial advice and is subject to the approval of the Chairman. Any such advice will be circulated to the remainder of the Board.

## Schedule 1 – Matters reserved for the Board(s)

The following matters must be approved by the Board. Such approval may be by approving the CEO's delegated authority, a Committee's charter or the budget and three year plan.

The Board recognises that the CEO's delegated authority allows for approval on underwriting, claims and other matters such as acquisitions and investments from the CEO of QBE Insurance Group Limited ("Group CEO") in his capacity as the shareholder representative of the ultimate parent. This may be either under the Group CEO's delegated authority from the Board of QBE Insurance Group Limited or a resolution by the Board of QBE Insurance Group Limited.

The Board also recognises that in cases of urgency, the CEO may need to act without prior approval. The CEO must first attempt to contact the CEO Asia Pacific/the Chairman or if not available another non-executive director.

### ***Business plans***

- Annual business plans and other operating and capital expenditure plans and any material changes to, or deviations from, those plans.
- Material changes to the Company's business activities, including a material extension of the Company's activities into new business or geographic areas, or ceasing to operate all or any material part of the Company's business, other than those contemplated in business plans.
- All acquisitions or disposals of subsidiaries, branches or a material part of the business of the Company and any associated expenditure and contractual arrangements. This includes:
  - the acquisition of, or investment in, any material assets, shares or interest in a trust, partnership or any other entity other than acquisitions that are in the ordinary course of business; in accordance with the investment strategy or contemplated in business plans; and
  - the sale or other disposal (including the assignment or transfer) of all or a substantial part of the assets of the Company's other than dispositions of assets that are in the ordinary course of business; in accordance with the investment strategy or contemplated in business plans.
- The formation or restructuring of any joint venture or partnership, including any associated expenditure and contractual arrangements, not including joint ventures or partnerships in the ordinary course of business.
- New, or material changes to, outsourcing arrangements with a controlled entity of QBE Insurance Group Limited, in particular the principal services company
- New, or material changes to, outsourcing arrangements with third party service providers that are material and outside the scope of authority delegated to the CEO or not otherwise approved in business plans.

### ***Structure and capital***

- Material changes to the Company's management and control structure.
- Any change to the Company's legal status.
- Changes to the Company's capital structure, including related contractual arrangements, the issue of shares, the granting of an option or right to subscribe in respect of shares or any instrument which converts into shares.
- Borrowing, including associated contractual arrangements, not contemplated in the business plans, not otherwise previously approved by the Board or intercompany borrowing in the ordinary course of business.

- Third party credit or financial guarantees, including associated contractual arrangements, to any person other than in the ordinary course of business, including to reflect ordinary intercompany arrangements.

#### ***Financial reporting and controls***

- The half-yearly and annual report and accounts.
- The dividend policy and any proposal, recommendation or declaration of interim and final dividends.
- Any significant changes in accounting policies or practices.
- Material unbudgeted capital or operating expenditures.

#### ***Risk management***

- The risk management framework, including risk appetite.
- The capital management framework, including capital allocations and targets.
- The reinsurance management framework, including risk tolerance.

#### ***Delegation of authority***

- Board committees, including their membership, charters and any authority delegated to them.
- The division of responsibilities between the Chairman and CEO, which should be in writing.
- The delegated authority of the CEO, which should be in writing (in consultation with QBE Asia Pacific Operations).

#### ***Board membership and other appointments (in consultation with the Group CEO)***

- Changes to the structure, size and composition of the Board, including appointments to the Board and appointment of any senior non-executive director.
- Succession planning for the Chairman, other non-executive directors, CEO and senior executives.
- Selection of the Chairman of the Board and the CEO.
- Membership and chairmanship of Board committees.
- Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their employment contract.
- Appointment or removal of the Company Secretary.
- Appointment, reappointment or removal of the external auditor and (where applicable) the Chief Actuary following the recommendation of the Audit Committee.

#### ***Remuneration (in consultation with the Group CEO)***

- Determining the remuneration policy, including any incentive schemes, for executive directors, company secretary and other senior executives.
- Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.

#### ***Policies***

Approval of policies, including if applicable:



- Framework documents (e.g. Risk Management Strategy and Reinsurance Management Strategy).
- Policies where there is a legal or regulatory requirement.
- Code of Conduct.
- Communications policy.
- Remuneration Policy.

***General***

- All matters not otherwise described above which exceed the authority delegated to either the CEO or Committees of the Board.
- Proposals for changes to the Company's memorandum and articles of association.
- The making of either charitable or political donations.
- Prosecution, defence or settlement of litigation being material to the interests of the Company.
- Any matters specifically reserved to the Board by applicable law or regulation.
- This schedule of matters reserved for the Board.