



AVICENNIA  
CAPITAL

## BOARD GOVERNANCE TERMS OF REFERENCE

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## 1.0 INTRODUCTION

- 1.1 The Board of Directors (“Board”) of Avicennia Capital Sdn Bhd (“Avicennia” or “Company”) acknowledges the importance of developing and maintaining a framework of Corporate Governance that is robust and sound, to ensure that the businesses and affairs of Avicennia and its subsidiaries (“Avicennia Group”) are governed and managed with integrity and transparency and in the best interests of the companies and stakeholders<sup>1</sup>. The highest standards of transparency, integrity and honesty are required of all Directors on the Board.
- 1.2 The purpose of this Board Governance Terms of Reference (“TOR”) is to establish the highest standards of Corporate Governance within Avicennia Group, and to expressly set forth, amongst others, the roles, composition and responsibilities of the Board.
- 1.3 This Board Governance TOR 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.
- 1.4 These provisions are complementary to the requirements regarding the Board and Board members contained in:
- (i) the Companies Act 1965, Financial Services Act 2013 (“FSA”), and Islamic Financial Services Act 2013 (“IFSA”), including any legislation which re-enacts or supersedes any of the foregoing Acts;
  - (ii) the Articles of Association of the Company and Corporate Governance principles set out in the policy documents and guidelines issued by Bank Negara Malaysia (“BNM”);
  - (iii) The Malaysian Code on Corporate Governance 2012, (the “Code”), which provides Principles and Recommendations promulgating good corporate governance practices and accountability of companies and their Board;
  - (iv) The Corporate Governance Guide - Towards Boardroom Excellence, 2nd Edition (“the Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) in 2013 which is designed to help Directors understand their roles and duties to the Company and its stakeholders.
- 1.5 This Board Governance TOR has been endorsed by the Board and will be reviewed periodically by the Board, to ensure that Avicennia remains at the forefront of best practices in corporate governance.

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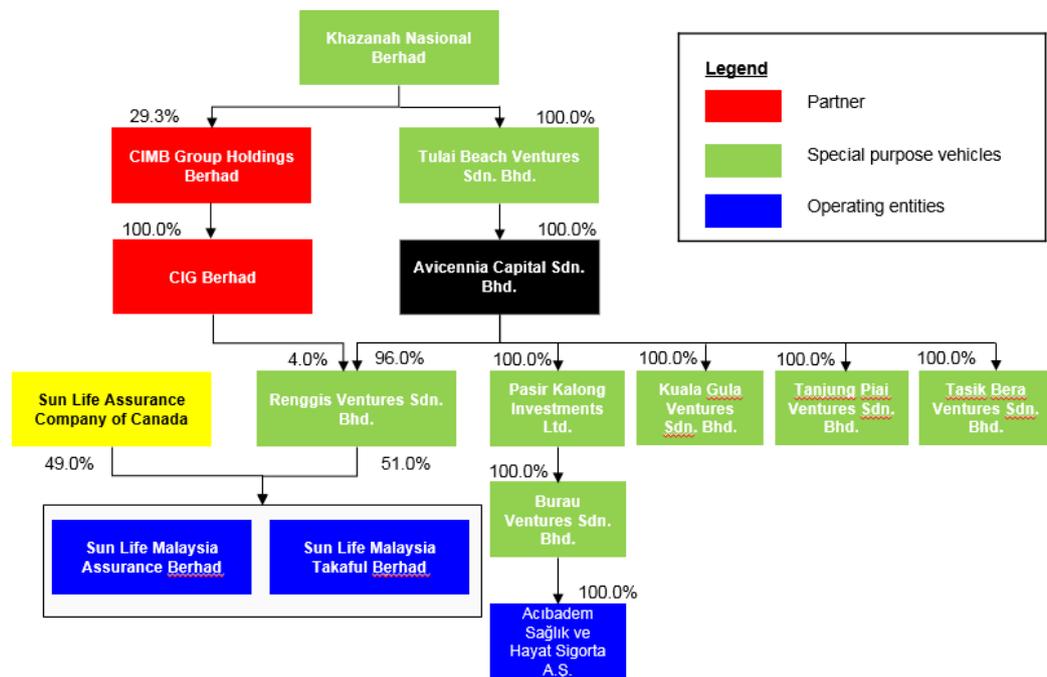
<sup>1</sup> Includes subsidiaries of Avicennia



## 2.0 BACKGROUND

2.1 Avicennia, a wholly owned subsidiary of Khazanah Nasional Berhad, was incorporated on 17 January 2013. Avicennia is principally an investment holding company specialising in acquiring, holding, and where appropriate or strategic, divesting of, financial institutions, in particular insurance and takaful companies, in Malaysia and other growth markets. At present, Avicennia holds two licensed entities in Malaysia, i.e. Sun Life Malaysia Assurance Berhad, a life insurance company and Sun Life Malaysia Takaful Berhad, a takaful operator. It also holds 100% equity interest in Acibadem Saglik ve Hayat Sigorta A.S, an insurance company in Turkey.

2.2 The group structure of Avicennia is set out below:



2.3 Avicennia has been approved by BNM to be a Financial Holding Company (“FHC”) with effect from 19 November 2014 under the FSA and the IFSA. As a FHC, Avicennia is subject to Part VII of the FSA and Part VIII of the IFSA. It is also made subject to the prudential requirements under Part V of the FSA and Part VI of the IFSA by order of the Minister.



## 3.0 THE BOARD

### 3.1 KEY RESPONSIBILITIES

- 3.1.1 The Board is the ultimate decision-making body of the Company, with the exception of matters requiring shareholder 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 enable Management to execute its responsibilities effectively.
- 3.1.2 The Board is collectively responsible for the proper stewardship of Avicennia's business and the creation of long term shareholder value, whilst taking into account interests of other stakeholders. The Board is responsible for establishing and maintaining corporate governance standards, including but not limited to the standards prescribed by the applicable laws and regulations from time to time.
- 3.1.3 The Board should assume, among others, the following responsibilities:
- (i) review and approve the Company's risk appetite, strategic plan and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile; *Section 8.3 (a) BNM's Corporate Governance Policy.*
  - (ii) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer ("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; *Section 8.3 (b) BNM's Corporate Governance Policy.*
  - (iii) oversee and monitor the performance of the CEO and senior management personnel; *Recommendation by Avicennia's external legal counsel (Kadir, Andri & Partners ("KAAP")).*
  - (iv) 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 the Company's operations; *Section 8.3 (c) BNM's Corporate Governance Policy.*
  - (v) promote, together with senior management, a sound corporate culture within the Company which reinforces integrity and ethical, prudent and professional behaviour; *Section 8.3 (d) BNM's Corporate Governance Policy.*
  - (vi) review and promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies; *Section 8.3 (e) BNM's Corporate Governance Policy.*
  - (vii) review and approve material transactions to be undertaken by the Company; *Recommendation by Avicennia's external legal counsel, i.e. KAAP.*
  - (viii) review and approve the budgets and business plans tabled by management; *Recommendation by Avicennia's external legal counsel (KAAP).*
  - (ix) oversee and approve the recovery and resolution as well as business continuity plans for Avicennia to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and *Section 8.3 (f) BNM's Corporate Governance Policy.*



- (x) promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company. *Section 8.3 (g) BNM's Corporate Governance Policy.*
- 3.1.4 Apart from the aforesaid principle responsibilities of the Board, the Board has also delegated specific responsibilities to several Board Committees. While the Board Committees have the authority to examine particular issues, the Board Committees shall report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matters lies with the entire Board. *Recommendation 1.1 stated in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission.*
- 3.1.5 Where Avicennia has a subsidiary that covers takaful business, the Board shall ensure that the key responsibilities outlined in Section 3.1.3 are in place at such subsidiaries and the Board of such subsidiaries promotes Shariah compliance in accordance with expectations set out in relevant BNM Policy document on Shariah Governance.

### 3.2 FORMAL SCHEDULE OF MATTERS RESERVED FOR THE BOARD

- 3.2.1 Other than the matters delegated to the Senior Management, the Board shall retain all matters for its deliberation and decision in order to ensure the direction and control of the Company are in the hands of the Board.
- 3.2.2 The matters delegated to CEO and Senior Management shall be clearly listed with assigned limits of authority where applicable. Refer to the approved Avicennia Limits of Authority for a full list of delegated authority. *Avicennia's Limits of Authority.*
- 3.2.3 The Board shall have the following authority to: *Recommendation 1.5 stated in the MCCG 2012 issued by the Securities Commission.*
- (i) investigate any activity or matter within its Board Governance TOR;
  - (ii) acquire the resources which are required to perform its duties;
  - (iii) have full and unrestricted access to anyone in the Company in order to conduct any investigation and to obtain any information pertaining to the Company, including access to the Company auditors and consultants, relevant to the furtherance of the Board's duties and responsibilities;
  - (iv) obtain relevant internal and external independent professional advice or other advice to assist the Board in performing its responsibilities and duties, at the expense of the Company; and
  - (v) meet exclusively among itself, whenever deemed necessary.
- 3.2.4 Where independent professional or other advice is considered necessary for the discharge of his/her duties and responsibilities as Director and, for the benefit of the Company, such Director shall first discuss the matter with the Chairman and, having done so, shall be free to proceed, as appropriate. *Section 9.7 BNM's Corporate Governance Policy.*



### 3.3 BOARD MEETINGS

#### 3.3.1 Proceeding

- (i) A Director shall devote sufficient time to prepare for and attend Board Meetings, and maintain a sound understanding of the business of Avicennia as well as relevant market and regulatory developments. This shall include a commitment to on-going education and training. *Section 9.2 BNM's Corporate Governance Policy.*
- (ii) The meeting papers should be prepared in accordance with a prescribed format which aims to provide clear, comprehensive and concise information to the Board to facilitate their deliberation and decision making. *Main Market Listing Requirements of Bursa Malaysia.*
- (iii) A Director who has a direct or deemed interest in a subject matter presented at the Board Meeting must declare that interest to the Board, and shall abstain from deliberation and voting on the said subject matter.
- (iv) The Board should be informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairmen of the respective Board Committees and the minutes of the Board Committees tabled at the Board Meetings. *Recommendation stated in the MCCG 2012 issued by the Securities Commission.*
- (v) 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:
  - ensuring that appropriate procedures are in place to govern the Board's proceedings;
  - ensuring that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis;
  - encouraging healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
  - leading the efforts to address the Board's developmental needs.*Section 9.1 (a) – (d) BNM's Corporate Governance Policy.*

#### 3.3.2 Frequency of Meeting

The Board shall meet sufficiently regularly to discharge its duties effectively. The Board shall have at least quarterly scheduled meetings in each financial year, or more frequently as circumstances dictate.

The Chairman is responsible, in consultation with the CEO and the Company Secretary, for the conduct of all Board meetings. This includes being satisfied that the agenda items are comprehensive, appropriate and ensure that recommendations fit within the strategic direction set by the Board.

In addition to the regular scheduled meetings, the Chairman shall call a meeting of the Board if so requested by any member of the Board. Resolutions of the Directors at a meeting or adjourned meeting of the Directors shall be adopted by a majority of votes of all Directors present.



In the event matters requiring Board's decision arise between meetings, such matters shall be resolved through circular resolution which may be supported by relevant papers setting out details of the subject matters.

The Board members may obtain more information from Management and express their views or points by facsimile, electronic mail or any other means of telecommunication before arriving at a decision on the subject matter.

Circular resolutions should not be used to approve complex matters which have not been rigorously discussed and considered by the Board. All such resolutions passed by the Board shall be tabled at the next Board meeting for information of the Board.

### 3.3.3 Attendance at Board Meeting

A Director shall attend at least 75% of the Board Meetings held in each financial year, and shall not appoint another person to attend or participate in a Board Meeting on his/her behalf. Attendance at a Board Meeting, by way other than physical presence, shall remain the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

*Section 9.3 BNM's  
Corporate  
Governance Policy.*

If a member of the Board is unable to be physically present, the member may choose to participate via video or tele-conferencing or other method of audio or audio-visual communication or similar means of communications equipment whereby all persons participating in the Meeting can hear each other and participation in such a conference shall be deemed to constitute attendance at such Meeting and for the counting of quorum.

### 3.3.4 Management Attendance

Management may be invited to attend selected Board and Committees Meetings to provide input as and when necessary, at the discretion of the Board and Committees.

### 3.3.5 Notice and Agenda

Unless otherwise determined by the Directors from time to time, seven (7) days' notice of all Directors' meeting shall be given to all Directors, except in the case of an emergency, where reasonable notice of the meeting shall be sufficient.

The Chairman shall ensure that proper agenda is prepared for the Board meeting.

The Chairman, in conjunction with the Company Secretary, shall assess the type of information needed to be supplied to the Board and the contents of the agenda. The agenda shall include, amongst others, matters specifically reserved for the Board's decision.

The agenda and relevant papers for the Board meeting must be issued at least seven (7) days prior to each of the Board meeting to allow sufficient time for Directors to review and consider the relevant



information. Urgent matters may be tabled for the Board's deliberation under a supplemental agenda.

### 3.3.6 Quorum

Under the Articles of Association, the quorum shall comprise three (3) or 50% of the total number of Directors (whichever is higher), of which at least one (1) must be an Independent Director.

*Section 9.5 BNM's Corporate Governance Policy.*

In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

### 3.3.6 Minutes

The discussions and conclusions of the Board meetings shall be minuted, in a clear, accurate, consistent, complete and timely manner. The minutes shall record the deliberation, in terms of the issues discussed, and the conclusions thereof.

The draft minutes shall be tabled at the following meeting for confirmation and signing.

The minutes shall be entered into the minutes Register kept by the Company Secretary together with the attendance sheet.

Keeping of the minutes must comply with the requirements of relevant law and regulations. Reproduction of any part of the minutes can only be performed through/by the Company Secretary.

### 3.3.7 Professional Advice

In discharging their duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company. If a Director considers the professional independent advice is necessary, the Director shall first discuss the intention with the Chairman and with the permission of the Chairman, bring the request to seek professional independent advice for the Board's consideration. For the avoidance of doubt, the use of professional advice by a member of the Board does not excuse that Board member from the requirement to exercise his/her due care and responsibility in the discharge of his/her duties and functions.

*Recommendation 1.5 stated in the MCGG 2012 issued by the Securities Commission.*

## 3.4 BOARD APPOINTMENTS AND REMOVALS

3.4.1 All nominations of Directors for appointment are subject to the evaluation by the NRC and approved by the Board of the Company before the applications are submitted to BNM for approval. Details on conduct and evaluation are provided in the NRC's Terms of Reference.

*Section 10.10 BNM's Corporate Governance Policy.*

3.4.2 For the assessment and selection of Directors, NRC shall consider the following factors from the prospective Directors:

- (i) specific knowledge, skills, expertise, trainings attended and working experience;
- (ii) contribution and performance;

*Paragraph 2.20A, Main Market Listing Requirements of Bursa Malaysia and Section 10.5 BNM's*



- (iii) character, professionalism and integrity;
- (iv) independence and conflict of interest;
- (v) number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution; and
- (vi) in the case of candidates for the position of Independent Director, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected by Independent Directors.
- (vii) where a firm has been appointed as the external auditor of Avicennia any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a Director of Avicennia until at least two years after:
  - he/she ceases to be an officer or partner of that firm; or
  - the firm last served as an auditor of Avicennia.

*Corporate  
Governance Policy.*

The findings and recommendations from the NRC shall be submitted to the Board for consideration before the applications are submitted to BNM for approval.

- 3.4.3 The Board shall establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies. The Board may, from time to time, consider candidates who may be kept in view for prospective selection whenever there is a need to appoint additional members on the Board or otherwise.

*Section 10.6 BNM's  
Corporate  
Governance Policy.*

- 3.4.4 The Fit and Proper Policy outlines the following criteria for assessment of the suitability of the candidate before 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/her debts or financial affairs prudently.

*Part C BNM's Fit &  
Proper Criteria.*

- 3.4.5 Any Director shall not be considered fit for directorship if the Director:
- (i) has been convicted by a court of law, whether in Malaysia or elsewhere, of an offence in connection with the promotion, formation or Management of a Company;
  - (ii) has been convicted by a court of law, involving fraud or dishonesty where the conviction involved a finding that the Director acted fraudulently dishonestly; and/or
  - (iii) has been convicted by a court of law of an offence under the securities laws of Malaysia or the Companies Act, 1965, within a period of 5 years from the date of conviction or if sentenced to imprisonment, from the date of release from prison.

*Section 130,  
Companies Act, 1965.*

- 3.4.6 A Director shall not have competing time commitments that may impair his/her ability to discharge his/her duties effectively. The Board shall maintain a policy on the maximum number of external professional commitments that a Director may have, commensurate with the responsibilities placed on the Director, as well as the nature, scale and complexity of Avicennia's operations.

*Section 10.3 BNM's  
Corporate  
Governance Policy.*



- 3.4.7 A Director shall not be an active politician. *Section 10.4 BNM's Corporate Governance Policy.*
- 3.4.8 The Board shall ensure that each Director acknowledges and agrees to the terms of his/her appointment, which shall include:
- (i) the roles and responsibilities of the Director, including those arising from his/her membership in any Board Committee;
  - (ii) the tenure of the appointment; and
  - (iii) provisions for the Director's removal in the event that he/she no longer meets the minimum requirements. *Section 10.9 BNM's Corporate Governance Policy.*
- 3.4.9 The prior approval of BNM shall be obtained before Avicennia:
- (i) makes any public announcement on proposed appointment of a Director;
  - (ii) removes an Independent Director<sup>2</sup> from the Board; and
  - (iii) re-appoints a Director whose tenure has expired and is being proposed for reappointment. The said Director shall immediately cease to hold office and act in such capacity, including by participating in Board Meetings or holding himself/herself out as a Director until BNM approval has been obtained. *Section 10.11 & 10.13 BNM's Corporate Governance Policy.*

### 3.5 COMPOSITION OF THE BOARD

- 3.5.1 The size of the Board is determined by the Board, based on, amongst others, the following considerations:
- (i) the evolving circumstances and needs of Avicennia in terms of its size, scope or geography;
  - (ii) the need to achieve an appropriate balance of Executive and Independent Directors. A Board must not have more than one Executive Director, unless BNM approval has been obtained<sup>3</sup>
  - (iii) quorum requirements for Board meetings;
  - (iv) majority of Independent Directors at all times where the Chairman of the Board is not be an Executive Director;
  - (v) the positions of Chairman and CEO should be held by different individuals to ensure a balance of responsibilities, authority and accountability for an effective Board;
  - (vi) Executive Directors representation on the Board shall not reduce the Board's ability to objectively scrutinise the proposals and performance of senior management; and
  - (vii) other factors such as, the technical knowhow or experience in the relevant industry sector, and the Board's diversity of professional experience, ethnicity, gender and age. *Section 11 BNM's Corporate Governance Policy, Recommendation 3.5 stated in the MCGG 2012 issued by the Securities Commission and Paragraph 15.08A, Main Market Listing Requirements of Bursa Malaysia.*
- 3.5.2 The size and composition of the Board shall be appropriate and well balanced to cater for the interest of the Company. The criteria and skills of the Board members shall reflect the fit and proper requirements and specific market or business knowledge required on the Board. Collectively, the Board members shall have a broad range of financial and other skills, experience and knowledge necessary to *Section 11.2 BNM's Corporate Governance Policy*

<sup>2</sup> This excludes termination in accordance with statutory requirements, such as under section 61 (2)(a) of the FSA and section 70 (2)(a) of the IFSA (fit and proper requirements).

<sup>3</sup> Refer to BNM's Corporate Governance Guidelines Section 11.4 for BNM's conditions to allow more than one Executive Director on the Board.



guide the business of Avicennia, including any specific expertise as deemed necessary by the Board.

- 3.5.3 The Board, with the assistance of NRC shall determine and regularly review the composition of the Board having regard to the optimum number and skill mix of Directors, subject to the limits imposed by the Company's Articles of Association.
- 3.5.4 In order to promote independent oversight of the Board, the Independent Director may not continue to serve as an independent member for a tenure not exceeding nine years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Company. *Section 11.9 BNM's Corporate Governance Policy*
- 3.5.5 An Independent Director is responsible to immediately disclose to the Board any change in his/her circumstances that may affect his/her status as an Independent Director. The Board shall review his/her designation as an Independent Director and notify BNM in writing of its decision to affirm or change his/her designation. *Section 11.10 BNM's Corporate Governance Policy*
- 3.5.6 A person must not be appointed as independent director if he/she has been an executive in the last two years, a substantial shareholder of Avicennia or any of its affiliates or has had business or contractual relationship. *Section 11.7 BNM's Corporate Governance Policy*
- 3.5.7 To ensure that group interests are appropriately balanced against the fiduciary and statutory duties that Directors owe towards each legal entity they serve and to avoid issues of conflicts, Directors who are Board Members of Avicennia and its affiliates shall remain in the minority of the relevant Board if:
- (i) one entity is a licensed insurer and the other is a licensed takaful operator;
  - (ii) the affiliate is a holding company of the financial institution, or a subsidiary of the financial institution that is itself a financial institution; or
  - (iii) there are strong operational dependencies<sup>4</sup> between the financial institution and the affiliate.

### 3.6 BOARD COMMITTEES

- 3.6.1 The Board has established Committees to assist the Board in exercising its roles and responsibilities. The approved Committees are: *Section 12.1 BNM's Corporate Governance Policy.*
- (i) Nominating and Remuneration Committee ("NRC");
  - (ii) Risk Management Committee ("RMC");
  - (iii) Audit Committee ("AC") and
  - (iv) Long Term Incentive Plan Committee ("LTIP").
- 3.6.2 The Board may establish additional Board Committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board. *Recommendation 1.1 stated in the MCGG 2012 issued by the Securities Commission.*

<sup>4</sup> Operational dependencies are heightened where the relevant institutions operate under centralised or shared service arrangements, particularly in respect of control functions.



- 3.6.3 The Board shall approve the terms of reference of the standing and additional Board Committees, which shall set out the roles and responsibilities of each Committee, having regard to its membership and composition against skills and experience. The TOR of such Committees shall be tabled for the respective Committee's comments before recommending to the Board for approval. The Board Committees shall report to the Board on its deliberations, findings and recommendations. *Recommendation 1.1 stated in the MCGG 2012 issued by the Securities Commission.*
- 3.6.4 The Chairman of the NRC, RMC, AC and LTIP shall report to the Board on matters dealt with at their respective Board Committees Meetings. Minutes of the NRC, RMC, AC and LTIP are presented at the Board meetings for information and notation. 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. *Recommendation 1.1 stated in the MCGG 2012 issued by the Securities Commission.*
- 3.6.5 The Board Committee shall have the following: *Section 12.3 BNM's Corporate Governance Policy.*
- (i) at least three Directors;
  - (ii) a majority of Independent Directors;
  - (iii) chaired by an Independent Director;
  - (iv) comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the Board Committee;
  - (v) Chairman of the Board shall not chair any of the Board Committees; and
  - (vi) Board Committees shall not have any Executive Directors in the membership.

The Board remains fully accountable for any authority delegated to the Board Committees. (Note: The above conditions (ii) and (iii) are not applicable for LTIP).

### 3.6.6 Nominating and Remuneration Committee

The NRC reviews the procedure for appointment of Directors, members of the Board Committees and Senior Management of Avicennia and their remuneration package. It also periodically reviews the remuneration package of Directors, CEO and Senior Management, particularly whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

### 3.6.7 Risk Management Committee

The primary responsibility of the RMC is to ensure that the integrated risk management functions within the Company is effectively discharged. The RMC assists the Board in, amongst 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 "compliance awareness" culture is embedded within the Company.



### 3.6.8 Audit Committee

The key responsibilities of AC 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. AC meets regularly to amongst 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.

## 3.7 BOARD EVALUATIONS AND DEVELOPMENT

### 3.7.1 Board Evaluation

*Section 13.1 & 13.2  
BNM's Corporate  
Governance Policy.*

On an annual basis, the Board, with the assistance of the NRC, shall objectively assess its own performance and extent to which the Board has met the requirements of its Board Governance TOR, including the assessment on the Board as a whole, Board Committees and individual Directors. Reference shall be made to the NRC's Terms of Reference for specific details.

The Board shall periodically, once in every three years, engage external consultants or experts to assist in and lend objectivity to the annual board evaluations.

### 3.7.2 Board Development

*Recommendation  
stated in The  
Corporate  
Governance Guide -  
Towards Boardroom  
Excellence, 2nd  
Edition issued by  
Bursa Malaysia in  
2013 and  
recommendation 2.2  
& 4.2 stated in the  
MCCG 2012 issued by  
the Securities  
Commission.*

All newly appointed Directors are required to attend the orientation programme within three months from his/her date of appointment to familiarise them with Avicennia's organisation structure, business and insurance industry. The objective of the orientation process and training programme is to provide Directors with a rapid and clear insight into the Company as well as keeping them abreast with development in the market place pertaining to the oversight function of Directors. This shall enable the Directors to discharge their duties and responsibilities effectively.

The Directors orientation programme may include the following:

- (i) time with other Directors to enable further insights and knowledge of the Company, in particular the Chairman and the Company Secretary;
- (ii) briefing on the Director's roles and responsibilities;
- (iii) briefing on the nature of Avicennia's business, its corporate and risk management strategy, its financial health, legal requirements and compliance controls;
- (iv) furnishing a copy of the previous Board minutes for at least the past six (6) months; and
- (v) a formal one (1) or two (2) day orientation programme, including the elements above, and also presentations by key management personnel.

Directors are strongly encouraged to undergo training to equip themselves to effectively discharge their duties as a Director and for that purpose he/she ensures that he/she attends such training programmes. The Company Secretary facilitates in organising internal



and external programmes, training sessions, briefing, workshops and seminars for Directors.

Newly appointed Directors to the Board are required to attend the high level Financial Institutions Directors' Education ("FIDE") Programme within one year from his/her appointment. In addition, Directors are required to attend training courses/seminars at periodic intervals to keep them abreast with development pertaining to the oversight function of Directors as well as updates on technical matters, for example financial reporting standards, tax, budgets, etc. The Board, with the assistance of the NRC, shall decide on the continuous education training programme for Directors.

The cost for all trainings attended by Directors shall be borne by the Company.

Coordinated by NRC, the Board collectively, shall discuss and assess the training needs of each Director and to decide on the type of training that may be required for effective and efficient discharge of Directors' duties and responsibilities. This includes dedicating an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each Director possesses the knowledge and skills necessary to fulfil his/her responsibility.

In addition, all guidelines and circulars (excluding administrative circulars) issued by BNM shall be circulated to the Board within one month from the date of issuance of the guideline or circular.

### 3.8 BOARD DIVERSITY

- 3.8.1 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.
- 3.8.2 The Board believes and promotes the presence of diverse ethnicity and gender mix on the Board in order to widen the Board's perspectives in discharging its duties and aid the Board in its decision-making process.

*Recommendation stated in the MCGG 2012 issued by the Securities Commission.*

### 3.9 DIRECTORS' EXTERNAL COMMITMENT

- 3.9.1 Directors shall devote sufficient time to carry out their responsibilities. The Board shall obtain this commitment from its members at the time of appointment and to formalise this commitment through the Letter of Appointment. All Directors are expected to commit time as and when required to discharge his/her duties and responsibilities, besides attending meetings of the Board and Board Committees.

*Recommendation 4.1 stated in the MCGG 2012 issued by the Securities Commission.*

### 3.10 CONFLICTS OF INTEREST

- 3.10.1 Directors are expected to avoid any action, position or interest that conflicts with an interest of the Avicennia Group, or gives the appearance of a conflict.
- 3.10.2 A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the Director's interest in accordance with the Companies Act 1965. The

*Main Market Listing Requirements of Bursa Malaysia.*

*Companies Act, 1965 and Section 14.2 BNM's Corporate Governance Policy.*



Director concerned shall not participate in deliberations and shall abstain from voting in any matter arising thereof unless as otherwise provided for in the Companies Act, 1965.

- 3.10.3 Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, the Director involved shall make full disclosure and act honestly in the best interest of the Company. General notice given by a Director is tabled at the Board Meetings and the declarations made are recorded in the minutes of the Board Meeting, in line with the Companies Act, 1965. *Companies Act, 1965 and Section 14.3 BNM's Corporate Governance Policy.*
- 3.10.4 The Company Secretary shall maintain a register of dealing in securities and declarations of interest by Directors and report them to the Board as necessary. *Main Market Listing Requirements of Bursa Malaysia.*
- 3.10.5 Related party transactions, which include any financial transaction and/or conflict of interests between a Director and the Company, shall be reported at each Board meeting. *Main Market Listing Requirements of Bursa Malaysia.*
- 3.10.6 The Company Secretary shall facilitate the Directors' annual Independence and Conflict of Interests Declarations, which allow the Directors to perform an annual self-declaration on independence and conflict of interest. This exercise may constitute part of the Board Evaluation process. *BNM's Guidelines on Corporate Governance for Development Financial Institutions.*

### 3.11 COMPANY SECRETARY

- 3.11.1 The Board shall ensure it is supported by a suitably qualified and competent Company Secretary, who shall, at minimum, meet the requirements of the Companies Act, 1965. Appointment and removal of the Company Secretary shall be subject to the Board's approval. *Section 139A, Companies Act, 1965 and Section 15.4 BNM's Corporate Governance Policy.*
- 3.11.2 The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provides guidance to the Board on governance matters and facilitates effective information flow between the Board, the Board Committees and senior management. *Section 15.1 BNM's Corporate Governance Policy.*
- 3.11.3 The Company Secretary should be accountable to the Board through the Chairman of the Board and its committees on all such related matters.
- 3.11.4 The Company Secretary advises the Board and its committees on issues relating to compliance with the laws, rules, procedures and regulations affecting the Company and ensuring that the Company complies with the relevant legislation, regulations and guidelines for administering the Company. In addition, the Company Secretary is responsible for the co-ordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and all statutory and other filings. *Recommendation stated in the MCGG 2012 issued by the Securities Commission.*
- 3.11.5 The Company Secretary shall keep confidential the affairs of the Company. *Section 15.2 BNM's Corporate Governance Policy.*



- 3.11.6 The Company Secretary shall not have competing time commitments that may impair his/her ability to discharge his/her duties effectively. Unless BNM approves otherwise in writing, the Company Secretary of Avicennia shall devote the whole of his/her professional time to the affairs of Avicennia<sup>5</sup>. *Section 15.3 BNM's Corporate Governance Policy.*
- 3.11.7 All Directors shall have direct access to the Company Secretary. The Company Secretary is expected to provide unimpeded advice and services to the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance. *Extracted from Deloitte's governance article titled "The changing role of the Company Secretary".*
- 3.11.8 The Company Secretary should undertake, inter-alia, the following functions: *Recommendation from Avicennia's external legal counsel, i.e. KAAP.*
- (i) advising the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis;
  - (ii) planning for Board Meetings in consultation with the Chairman and CEO;
  - (iii) preparing the agenda with the Chairman and CEO and notifying all Directors of Board Meetings;
  - (iv) attending all Board and Board Committee Meetings and ensures that all Meetings are properly convened and proceedings of the Board and Board Committee Meetings and decision thereof are properly recorded, communicating decisions of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee Meetings;
  - (v) assisting the Board with interpreting legal and regulatory acts;
  - (vi) notifying the Chairman of any possible violations of legal and regulatory acts;
  - (vii) ensuring the appointment of new Directors, re-appointment and resignation of Directors are in accordance with the relevant legislations;
  - (viii) ensuring execution of assessment for Directors and the Board/Board Committees;
  - (ix) briefing new Directors on organisational structure of Avicennia and procedures that regulate the operations of the Board;
  - (ix) timely dissemination of information relevant to Directors' roles and functions and keeping them updated on new or evolving regulatory requirements;
  - (x) ensuring high standard of governance by keeping abreast of the latest enhancement in corporate governance and changes in the legal and regulatory framework;
  - (xi) ensuring the due and proper filing and compliance by the Company with all statutory requirements; and
  - (xii) carrying out other functions as deemed appropriate by the Board from time to time.

<sup>5</sup> This does not preclude the Company Secretary from carrying out other responsibilities for Avicennia, where these responsibilities do not conflict with his/her responsibilities to the Board.



## 4.0 SENIOR MANAGEMENT

### 4.1 KEY RESPONSIBILITIES

4.1.1 The Board is responsible for the approval of strategic objectives for the business, as developed by the CEO, and the CEO is responsible for the achievement of the planned results for the Company.

4.1.2 The CEO, by leading the Senior Management, bears primary responsibility over the day-to-day management of Avicennia, subject to the specified delegations of authority as approved by the Board. The key roles of the Senior Management include:

*Section 16.1 (a) – (e)  
BNM’s Corporate  
Governance Policy.*

- (i) developing and implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- (ii) establishing a management structure that promotes accountability and transparency throughout the Company’s operations, and preserves the effectiveness and independence of control functions;
- (iii) promoting, together with the Board, a sound corporate culture within Avicennia which reinforces ethical, prudent and professional behaviour;
- (iv) addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner;
- (v) regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to:
  - the performance, financial condition and operating environment of the Company;
  - such assurances as the Board considers necessary to confirm that the Management’s limits are being observed’
  - internal control failures, including breaches of risk limits; and
  - legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.
- (vi) communicating the Company’s vision and values to all employees;
- (vii) executive management of the Company’s business, covering, inter-alia, the development of a sustainable strategic plan, an annual operating plan and budget, as well as performance benchmarks to gauge Management’s performance;
- (viii) effectively overseeing the human resource of the organisation with respect to key positions in the Company hierarchy and ensuring the general well-being of employees, including the determination of remuneration as well as terms and conditions of employment for Senior Management personnel and issues pertaining to discipline of all employees;
- (ix) effectively representing the interest of the Company with major stakeholders, governments and their agencies, and industries at large, to ensure general goodwill towards the Company and cooperation in planned development;
- (x) providing assistance to members of Board Committees, as required, in discharging their duties;



- (xi) assisting the Chairman in organising information necessary for the Board to deal with the agenda and for providing such information to Directors on a timely basis;
- (xii) assessing business opportunities of potential benefit to the Company; and
- (vii) ensuring the day-to-day business affairs of Avicennia are effectively managed and developing the strategic direction of the Company as well as provide directions in the implementation of short and long terms strategies and plans. Directing and controlling all aspects of the business operations in a cost effective manner.

4.1.3 Any matters or transactions beyond the delegation of authority of the CEO must be referred to the Board for approval.

*Avicennia's Limits of Authority.*

## 4.2 SENIOR MANAGEMENT APPOINTMENT AND REMOVALS

4.2.1 The Board shall ensure that candidates appointed to Senior Management positions are of sufficient calibre. Senior Management are, as employees, involved in the day-to-day management of the Company. Each Senior Management member shall be aware of the legal parameters that define his/her duties. Broadly, these include:

- (i) duty to act in good faith and must act honestly in line with the Company's interests;
- (ii) duty to exercise power for a proper purpose;
- (iii) duty to exercise discretion properly and cannot fetter these powers by abdicating an independent exercise of such discretion and merely doing what is wanted by another person; and
- (iv) duty to avoid conflict of interest and self-dealing through improper use of the Company property, position or corporate opportunity.

*BNM's Guidelines on Corporate Governance for Development Financial Institutions.*

4.2.2 Each Senior Management member shall exercise reasonable care, skill and diligence according to the knowledge, skill and experience which may be reasonably expected of him/her.

*Section 132. Companies Act, 1965.*

4.2.3 The Board should be satisfied that there are programmes in place to provide for the orderly succession of Senior Management. The NRC is assigned with the responsibility to oversee the succession planning for the Senior Management. Details on conduct and evaluation are provided in the NRC's Terms of Reference.

*Recommendation stated in the MCCG 2012 issued by the Securities Commission.*

4.2.4 Each Senior Management member is expected to fulfil the following minimum requirements set out at the time of his/her appointment and on a continuing basis:

*Section 17.2 BNM's Corporate Governance Policy.*

- (i) not be disqualified under Section 59(1) of the FSA or Section 68(1) of the IFSA; and
- (ii) assessed to have complied with the fit and proper requirements.

4.2.5 Each member of Senior Management shall satisfy the following fit and proper criteria:

*Part C BNM's Fit & Proper Criteria.*

- (i) Probity, personal integrity and reputation;
- (ii) Competence and capability; and
- (iii) Financial integrity.



- 4.2.6 Each member of Senior Management shall make an annual declaration that he/she fulfilled the minimum criteria of “a fit and proper person” as prescribed in Section 59(1), (2) and (3) of the Financial Services Act 2013. It is the responsibility of each member of Senior Management to immediately disclose to the Board any circumstance that may affect his/her ability to meet the minimum requirements. *Section 17.6 BNM’s Corporate Governance Policy.*
- 4.2.7 A Senior Management position shall not be held by a substantial shareholder. This serves to preserve an appropriate separation between ownership and management of the Company. *Section 17.3 BNM’s Corporate Governance Policy.*
- 4.2.8 Avicennia CEO shall devote his/her professional time to the service of the Company. BNM may allow a CEO to assume a position of responsibility outside Avicennia if BNM is satisfied that the proposed position does not:  
(i) create substantial conflicts of interest or demands on the CEO’s professional time; and  
(ii) result in the CEO holding directorships. *Section 17.4 BNM’s Corporate Governance Policy.*
- 4.2.9 Avicennia shall not make an application to BNM to appoint or reappoint the CEO unless the Board is wholly satisfied with the candidacy, based on its objective assessment. *Section 17.7 BNM’s Corporate Governance Policy.*
- 4.2.10 Unless the written approval of BNM has been obtained:  
(i) Avicennia shall not publicly announce the proposed appointment of the CEO; and  
(ii) the CEO whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such a capacity, including by holding himself/herself out as the CEO. *Section 17.8 BNM’s Corporate Governance Policy.*
- 4.2.11 Avicennia shall comply with the application procedures set out in BNM’s Corporate Governance Paper for the appointment of the CEO. *Section 17.9 BNM’s Corporate Governance Policy.*

## 5.0 CULTURE AND REMUNERATION

### 5.1 CULTURE

- 5.1.1 Board members are expected to observe the highest standards of ethical behavior. *Section 18.1 BNM’s Corporate Governance Policy.*
- 5.1.2 The following documents shall be read in conjunction with this Board Governance TOR:  
(i) The Malaysian Companies Act 1965; and  
(ii) The Code of Ethics for Company Directors issued by the Company Commission of Malaysia.
- 5.1.3 **Code of Conduct for Employees** *Section 18.2 BNM’s Corporate Governance Policy.*
- Avicennia’s Code of Conduct encourages all Avicennia Directors and employees to observe high standards of personal integrity and display honestly in their dealings.
- All members of the Board shall safeguard all internal communications and treat them as strictly private and confidential, and for the use of Board members only unless officially published.



#### 5.1.4 Whistleblowing Policy

*Section 18.2 BNM's  
Corporate  
Governance Policy.*

Avicennia's Whistleblowing Policy sets an avenue for legitimate concerns to be objectively investigated and addressed. Avicennia employees as well as third parties engaged in activities in connection with Avicennia and/or any other parties with a business relationship with Avicennia are able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal. The Whistleblowing Policy includes:

- (i) procedures for raising concerns, which includes the reporting channels, investigation process, disclosure of identity of the whistleblower, scope of reporting and content of the disclosure;
- (ii) protection to whistleblower;
- (iii) notification procedure; and
- (iv) external party or employee may raise any concerns directly to the Audit Committee Chairman.

All Whistleblowing cases shall be reported to the Audit Committee Chairman on a regular basis.

## 5.2 REMUNERATION

5.2.1 The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload complexity of the business and responsibilities involved, without paying more than is necessary to achieve this goal.

*Recommendation  
stated in the MCGG  
2012 issued by the  
Securities  
Commission.*

5.2.2 The framework for the remuneration of Directors is reviewed regularly and benchmarked against market practices. In order that it remains competitive and consistent with the culture, objective and strategy of Avicennia, the compensation framework for Directors are reviewed periodically to ensure that they remain market-competitive. The NRC recommends to the Board the remuneration to be paid to each Director based on the remuneration policy as approved by the respective Boards. It is, nevertheless the ultimate responsibility of the entire Board to decide the quantum for each Director. In addition, the remuneration for each Director and member of senior management shall be approved by the Board annually.

5.2.3 The overall remuneration system shall:

- (i) have the Board's active oversight to ensure that the system operates as intended;
- (ii) be in line with Avicennia's business and risk strategies, corporate values and long-term interests of Avicennia; and
- (iii) be designed and implemented with input from the control functions and Avicennia's RMC to ensure that risk exposures and risk outcomes are adequately considered.

*Section 19.4 BNM's  
Corporate  
Governance Policy.*

5.2.4 The remuneration for Directors is based on:

- (i) a standard fixed fee amount and not by a commission on or percentage of profits or turnover;
- (ii) additional fees are conferred to every chairmanship held in the Board and Committees; and
- (iii) the variation of the fee paid to the chairmanship depends on the complexity of the subject matter of the committee.

*Recommendation  
stated in The  
Corporate  
Governance Guide -  
Towards Boardroom  
Excellence, 2nd  
Edition issued by  
Bursa Malaysia in  
2013.*



Individual Directors shall abstain from discussion of their own remuneration.

5.2.5 Additional allowances are paid for attending meeting. The attendance allowance conferred to the Chairman of the Committees shall be proportionately higher than that of the ordinary committee member.

5.2.6 The Board fees and meeting attendance allowance are not payable to Executive Directors.

5.2.7 Directors may be compensated for expenses incurred in the course of attending to the Company's business in the form of travelling passage lodging and out of pocket expenses.

*Avicennia's HR policies.*

5.2.8 The compensation packages of the CEO and Senior Management are based on Key Performance Indicators ("KPIs") as set out in Avicennia's Target Letter that are linked to the Company and individual's performances.

5.2.9 Without sustained Board's attention, the operation of well-designed remuneration systems may change in ways that are inconsistent with the spirit of the system design. To achieve effective governance of remuneration systems, the most-involved Board Members will require relevant and adequate expertise. Such individuals should be independent directors. Because sensitivity of remuneration to risk will be essential, the Board should have enough risk-measurement expertise to understand the interaction between remuneration practices and risk taking. The Board should also be sufficiently aware of historical risk realisation trends to mediate disputes about how remuneration should change during periods of high losses.

*Section 19.5 BNM's Corporate Governance Policy.*

## 6.0 GROUP GOVERNANCE

### 6.1 RESPONSIBILITIES AS A HOLDING COMPANY

6.1.1 Avicennia as a FHC is responsible for exercising adequate oversight over its subsidiaries while respecting the independent legal and governance responsibilities that apply to them.

*Section 20.1 BNM's Corporate Governance Policy.*

6.1.2 Avicennia shall have overall responsibility for ensuring the establishment and operation of a clear governance structure appropriate to the nature, size and complexity of the group and its entities. In promoting the adoption of the sound corporate governance principles set out in this policy document throughout the group, the Board and Senior Management of Avicennia must:

*Section 20.2 BNM's Corporate Governance Policy.*

- (i) ensure that the group governance framework clearly defines roles and responsibilities for the oversight and implementation of group-wide policies;
- (ii) ensure that the differences in the operating environment, including the legal and regulatory regime for each jurisdiction in which the group has a presence, are properly understood and reflected in the group governance framework;
- (iii) have in place reporting arrangements that promote the understanding and management of material risks and



developments that may affect the apex entity and its subsidiaries;

- (iv) assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and
- (v) ensure that there are adequate resources to effectively monitor compliance of the apex entity and its subsidiaries with all applicable legal and regulatory requirements.

6.1.3 Group structures can substantially increase the complexity of the organisation of a financial group. Complex structures involving a large number of legal entities can exacerbate group-wide risks, including risks arising from operational interdependencies, intra-group exposures, trapped collateral, counterparty concentrations and reputational associations.

*Section 20.3 BNM's Corporate Governance Policy.*

6.1.4 Avicennia shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board and Senior Management must know and understand the group structure, including its changes over time, and assess the implications for the capacity to identify and manage all material risks across the group. This must be supported by a sound understanding of risks associated with the group structure and an evaluation of whether group controls and policies are adequate to address those risks.

*Section 20.4 BNM's Corporate Governance Policy.*

6.1.5 Avicennia shall establish a clearly defined process for approving the creation of new legal entities and other structures. This should serve to ensure that the proposed structure fulfils a legitimate business purpose and its associated risks are understood and managed.

*Section 20.5 BNM's Corporate Governance Policy.*

## 6.2 RESPONSIBILITIES AS A SUBSIDIARY

6.2.1 A subsidiary of Avicennia must discharge its own legal and governance responsibilities as a separate entity. Accordingly, the Board and Senior Management of a financial institution must validate that the objectives, strategies, plans, governance framework and other policies set at the group level are fully consistent with the regulatory obligations and the prudential management of Avicennia and ensure that entity-specific risks are adequately addressed in the implementation of group-wide policies.

*Section 21.1 BNM's Corporate Governance Policy.*

## 7.0 CORPORATE DISCLOSURES POLICIES AND PROCEDURES

7.1 The Board shall to its best endeavours ensure that the Corporate Governance disclosures are accurate, clear and presented in a manner that is easily understood by its shareholders and other relevant stakeholders.

*Section 22.2 BNM's Corporate Governance Policy.*

7.2 Avicennia shall disclose information on its corporate governance policies and practices in accordance with the requirements set out in BNM's policy document on Corporate Governance and other laws or legal requirements.

*Section 22.1 BNM's Corporate Governance Policy.*

7.3 The approval to release corporate governance disclosures shall be made according to the appropriate level of authority as per Avicennia's LOA.

*Avicennia's Limits of Authority.*



## 8.0 APPLICATION

- 8.1 The principles set out in this Board Governance TOR are:
- kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities; and
  - applied in practice having regard to their spirit and general principles.
- 8.2 The Board endeavours to comply at all times with the principles and practices set out in this Board Governance TOR.

## 9.0 REVISION OF THE BOARD GOVERNANCE TOR

- 9.1 The Board shall periodically review and update the Board Governance TOR in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities. Any revision or amendment to this Board Governance TOR, as proposed by any member, or any third party, shall first be presented to the Board for its approval.
- 9.2 The Board may delegate the authority to NRC to review and consider any proposed revision or amendments to this Board Governance TOR and recommend to the Board for approval. Avicennia Governance Department shall assist NRC in the review process.
- 9.3 Upon the Board's approval, the said revision or amendment shall form part of this Board Governance TOR and this Board Governance TOR shall be considered duly revised or amended.

