

Principal Asset Management Berhad



BOARD CHARTER

Prepared by	:	Corporate Secretarial Dept.
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GLOSSARY

Term	Meaning/Description
Board	Board of Directors.
Constitution	The Constitution of Principal Asset Management Berhad.
CMSA	Capital Markets and Services Act 2007.
CIMB	CIMB Group Sdn Bhd including its permitted assigns.
CIMB Group	All companies in which CIMB Group Holdings Bhd has an interest, directly or indirectly.
Directors*	Collectively, directors or their alternates for the time being of the Company and “Director” shall mean any of them
ETF Guidelines	Guidelines on Exchange-Traded Funds issued by the SC
Principal	Principal International (Asia) Limited including its permitted assigns.
PFG Group.	All companies in which Principal Financial Group Inc has an interest, directly or indirectly.
PRS Guidelines	Guidelines on Private Retirement Schemes issued by the SC.
SC	Securities Commission of Malaysia.
SC CG Guidelines	Guidelines on Corporate Governance for Capital Market Intermediaries.
Shareholders	Principal and CIMB, and “Shareholder” shall mean any one of them.
SHA	Amended and Restated Shareholders’ Agreement dated 10 November 2022 between CIMB Group Sdn Bhd, Principal International (Asia) Limited and the Company, as varied, amended or supplemented.
UTF Guidelines	Guidelines on Unit Trust Funds issued by the SC.

* words importing the singular include the plural and vice versa and words importing one gender include all other genders.

1. PURPOSE OF THE BOARD CHARTER

This Board Charter serves as a guide and reference for the Board in the discharge of its stewardship role, fiduciary duties and responsibilities under the Companies Act 2016, the Company’s Constitution and all applicable legislations and regulations. Where it is considered relevant and appropriate for the Company’s operations, the Board will also observe industry standards, codes of conduct and other formal requirements.

2. BOARD COMPOSITION

- 2.1. The Company shall have a Board composition in accordance with the Company’s Constitution, internal corporate policies, SHA and applicable local regulatory requirements, as may be amended from time to time.
- 2.2. Unless otherwise agreed in writing by the Shareholders pursuant to Rule 65 of the Constitution, the number of Directors shall be not more than eight (8) (excluding Alternate Director(s)) which shall comprise:
- (a) up to three (3) Directors to be nominated by Principal;
 - (b) up to two (2) Directors to be nominated by CIMB; and
 - (c) up to three (3) Independent Directors to be nominated by both Principal and CIMB.
- 2.3. The table below sets out the requirements on Board composition as stipulated in the guidelines and regulations issued by the SC:

	Particulars of requirements	SC Regulation
(a)	The Board shall comprise at least two (2) Independent Directors while maintaining a minimum ratio of at least one-third (1/3) Independent Directors at all times.	PRS Guidelines, UTF Guidelines and ETF Guidelines
(b)	The Company must at all times have at least one Bumiputera Director on its Board.	SC Licensing Handbook
(c)	The Company is required to appoint a Director who holds a Capital Markets Services Representative’s License (“CMSRL”) for the particular regulated activity carried on by the Company (“Licensed Director”). The appointment of a Licensed Director is to ensure that a person with board representation will be able to provide direction and feedback to the Board on issues relating to the carrying on of the regulated activity, as well as supervising representatives with respect to such activity.	SC Licensing Handbook
(d)	The Board shall take the necessary measures to ensure the Board comprises at least 30% women Directors.	SC CG Guidelines

3. CRITERIA FOR BOARD MEMBERSHIP

- 3.1. The Board shall comprise Directors with an appropriate range and mix of skills, experience, expertise and diversity that will enable the Board to effectively function.
- 3.2. Board members are expected to possess the following characteristics and traits.
- (a) Be of good repute and character;
 - (b) Demonstrate high ethical standards and integrity in their personal and professional dealings;
 - (c) Act honestly and in good faith with a view to the best interests of the Company;
 - (d) Devote sufficient time to the affairs of the Company and exercise care, diligence and skill in fulfilling their responsibilities as Board members and/or committee members (as the case may be);
 - (e) Provide independent judgment on a broad range of issues;
 - (f) Understand and critically evaluate the key business plans and the strategic direction of the Company;
 - (g) Contribute constructively to discussions and decision-making at Board and committee (as the case may be) meetings and conduct due inquiry before approving a matter;
 - (h) Make all reasonable efforts to attend all Board and committee meetings (as the case may be); and
 - (i) Review the materials provided by Management in advance of the Board and committee meetings (as the case may be).
- 3.3. Each Director of the Company must be fit and proper and have none of the grounds specified in paragraphs 64(1)(h), 64(1)(i), 64(1)(l) and 64(1)(m) of the CMSA apply to him. Among others, the Director should not have:
- (a) been convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly;
 - (b) been convicted of an offence under the securities laws or any law outside Malaysia relating to capital market;
 - (c) contravened any provision made by or under any written law, whether within or outside Malaysia, appearing to the SC to be enacted for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies;
 - (d) engaged in any business practices appearing to the SC to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflects discredit on his method of conducting business; and
 - (e) engaged in or been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgement.
- 3.4. A Director of the Company must not be an active politician and must not hold office:
- (a) as a Director of more than one management company incorporated in Malaysia that operates and administers unit trust funds; and
 - (b) as a member of an investment committee of a unit trust fund operated by another management company incorporated in Malaysia;
- subject to further conditions/exemptions as stipulated in Chapter 3 of the UTF Guidelines.

In addition, a Director of the Company must have regard and ensure adherence to the restrictions of directorship and membership in investment committee as stipulated in Chapter 3 of the PRS Guidelines and the ETF Guidelines as well.

- 3.5. An Independent Director must be one who is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act independently in the best interests of the Company. The Independent Director shall be a person who is not affiliated with, employed by or otherwise connected to either PFG Group or CIMB Group (unless consented to by the shareholders of the Company) and satisfies the definition of “Independent Member” in the UTF Guidelines, PRS Guidelines and ETF Guidelines.

4. APPOINTMENTS, ELECTION AND REMOVAL OF DIRECTORS

- 4.1. The appointment of Director(s) is subject to the nomination(s) by the Shareholder(s) in the manner stipulated in Rule 65 and Rules 70 to 73 of the Constitution.
- 4.2. The respective Shareholders shall be entitled to determine the period of appointment of their own nominated Director(s) or alternate(s) and to remove their own nominee(s) by notice to the Company.
- 4.3. The Directors shall not be subject to retirement by rotation.
- 4.4. The tenure of the Independent Directors is subject to the terms and conditions as stipulated in their respective appointment letters but shall not exceed a consecutive term of nine years.
- 4.5. In any case, the term of each Director shall not extend beyond the annual general meeting of the Company following the Director’s 72nd birthday unless approved by the Board.
- 4.6. The office of a Director shall, ipso facto, be vacated if any of the events listed in Section 208 of the Companies Act 2016 and/or Rule 86 of the Constitution occurs.

5. ROLES AND RESPONSIBILITIES

5.1. THE BOARD

- 5.1.1. The Board’s principal role is to govern, rather than manage, the Company, by ensuring that there is a proper governance framework in place to promote and protect the Company’s interests for the benefit of its shareholders, and other stakeholders.
- 5.1.2. In addressing its responsibilities, the Board will be concerned with the following key broad areas in line with the guidance provided in the Malaysian Code on Corporate Governance and the SC CG Guidelines, taking account of the recommendations of the Management as appropriate:

- (a) Reviewing and adopting the strategic plan for the Company, including but not limited to approving annual business plan and any key strategic initiatives, which supports long-term value creation and takes into account material sustainability risks and opportunities (ie economic, environmental, social and governance considerations).
- (b) Overseeing the conduct of the Company's business.
- (c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.
- (d) Ensuring appropriate resources are available and measures are in place for orderly succession of the Board and Senior Management.
- (e) Promoting good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.
- (f) Having primary oversight on the implementation of adequate procedures to prevent corruption as well as a sound framework to manage anti-bribery and corruption risks.
- (g) Reviewing the adequacy and integrity of the management information and internal control systems of the Company to ensure they remain appropriate.
- (h) Understanding the principal risks of the Company's business and setting the risk appetite within which Management is expected to operate, having in place a sound risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- (i) Ensuring the financial integrity of the Company including monitoring investment performance and cashflow positions.

5.2. CHAIRMAN OF THE BOARD

5.2.1. The Chairman of the Board shall be a Director nominated by Principal and appointed by the Board. If the Chairman of the Board is absent, one of the Directors nominated by Principal present at the meeting may be appointed by the Directors present to act as the Chairman of the meeting.

5.2.2. Key responsibilities of the Chairman include, inter alia :

- (a) Providing leadership for the Board so that the Board can perform its responsibilities effectively.
- (b) Leading the Board in the adoption and implementation of good corporate governance practices in the Company.
- (c) Presiding over meetings of the Board and leading discussions.
- (d) Facilitating the effective contribution of the Directors and ensuring constructive relations among Executive, Non-Executive and independent Directors.
- (e) Presiding over meetings of the Company's Shareholders.

5.3. CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

5.3.1. The CEO/ED is responsible for the execution of the Company's strategies in line with the Board's direction, oversees the operations of the Company and drives the Company's businesses and performance towards achieving the Company's vision and

goals.

- 5.3.2. The CEO/ED is accountable to the Board for the day-to-day management and operations of the Company's business within the framework of Company policies, delegated authority and reporting requirements.

5.4. INDEPENDENT DIRECTORS

- 5.4.1. The Independent Directors should, in addition to their duties and responsibilities as Directors, represent and safeguard the interests of unit trust holders and members of the private retirement schemes operated by the Company.
- 5.4.2. Independent Directors play a critical role in building confidence and trust for the Company as a licensed intermediary and shall provide the relevant checks and balances in the interests of Shareholders and stakeholders in ensuring high standards of corporate governance are applied.
- 5.4.3. The approval of Independent Directors of the Company shall be required in respect of the appointment or renewal of appointment of any third party fund manager who is a related party.

5.5. COMPANY SECRETARY

- 5.5.1. The Directors have individual and independent access to the advice and services of the Company Secretary.
- 5.5.2. The primary responsibilities of the Company Secretary in supporting the effectiveness of the Board include:
 - (a) Ensuring that Board procedures and applicable rules are observed;
 - (b) Managing the logistics of all Board and Shareholders' meetings as well as attending and recording minutes of the meetings thereof;
 - (c) Ensuring proper upkeep of statutory registers and records; and
 - (d) Carrying out other functions as deemed appropriate by the Board from time to time.

6. DELEGATION TO MANAGEMENT AND COMMITTEES

- 6.1. The Board retains ultimate responsibility for the strategic direction and control of the Company. The Board delegates management of the Company to the Senior Management team, to deliver the strategic direction and goals determined by the Board. A key function of the Board is to monitor the performance of Senior Management in this function.
- 6.2. To enable Management to carry out its responsibilities effectively and efficiently, the Board has approved the Delegated Authority manual that sets out the authority limits for matters delegated to Management.

- 6.3. The Board from time to time may establish committees to streamline the discharge of its responsibilities. Each such committee shall be given delegated authority to enable it to obtain all information necessary to perform its functions effectively. To that end, the current Board delegated committees are as follows:
- (a) Audit Committee; and
 - (b) Investment Committee.

These Board committees operate under their respective Terms of Reference which are to be reviewed and approved by the Board from time to time.

- 6.4. Matters expressly required by law to be approved by the Board may not be delegated.

7. BOARD MEETINGS

- 7.1. The Board shall meet at least once every quarter with additional meetings to be convened as and when necessary. The Board's annual meeting schedule which sets out the scheduled dates for meetings of the Board and Board Committee(s) is prepared and circulated to Directors before the beginning of each year.
- 7.2. Unless otherwise determined, at least fourteen (14) days' notice shall be given to each Director prior to the appointed date of convening of any meeting of the Directors.
- 7.3. The agenda and relevant papers for the Board meeting shall be issued at least seven (7) days in advance of the Board meeting.
- 7.4. Directors may participate in a Board meeting by means of telephone or video conferencing or any other means provided all persons participating in the meeting can hear each other.
- 7.5. In accordance with Rule 92 of the Constitution, the quorum for the transaction of business of the Directors shall be two (2) comprising one (1) Director nominated by Principal and one (1) Director nominated by CIMB. In addition, at least one Independent Director who is entitled to vote should attend each Board meeting for good corporate governance.
- 7.6. All resolutions of the Board shall be passed by a simple majority decision of the Directors present and voting which shall include an affirmative vote by at least one (1) Director nominated by Principal. In the case of an equality of votes, the Chairman of the meeting shall have a casting vote.
- 7.7. The minutes of the Board meeting shall record the deliberations and decisions of the Board including any dissenting views. Minutes shall be distributed to the Directors for review and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next meeting where the minutes were confirmed.
- 7.8. In the event matters requiring Board's decision arise between meetings, such matter may be resolved through circular resolution which shall be supported by relevant papers setting out

details of the subject matters. Such circular resolution in writing duly executed by all members of the Board shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened. The Chairman of the Board shall be duly consulted prior to circulation of such resolution.

8. CONFLICTS OF INTEREST

- 8.1. Each Director has a duty to avoid conflicts of interest and must disclose to the Board the nature and extent of such conflict upon becoming aware of any potential or actual conflicts of interest immediately including any which may arise as a result of his duty to another company.
- 8.2. A Director shall abstain from any discussion or decision on any matter in which the Director is precluded from voting as a result of a conflict of interest or which otherwise affects his personal, business or professional interests.
- 8.3. Conflicts of interest related to personal account dealing must be avoided and Directors must observe the disclosure requirements as outlined in the Personal Account Dealing Policy of the Company.

9. PERFORMANCE EVALUATION

- 9.1. An evaluation may be conducted on the Board's effectiveness from time to time, with the assistance of the Company Secretary and/or external service provider. For this purpose, an appropriate methodology will be developed to perform the evaluations.
- 9.2. The independence of the Independent Directors will be assessed as part of the Board effectiveness evaluation with reference to the provisions and definition as stipulated in relevant and applicable regulatory guidelines. In considering independence, focus is not only on whether the Director's background and current activities qualify him/her as independent but also whether the Director can act and has acted independently of the management team. The Board will reassess determinations of independence when any new interests or relationships are disclosed by the Independent Director.

10. DIRECTORS' TRAINING AND EDUCATION

- 10.1. Directors are expected to undertake necessary continuing education to keep abreast of the latest legislations and regulatory updates as well as wider economic, financial and governance issues in discharging their stewardship responsibilities.
- 10.2. Directors are kept informed on developments and changes in the legislative, regulatory and industry framework which may affect the Board and/or the Company but this is not a substitute for the Directors' own efforts.

11. REVIEW OF BOARD CHARTER

This Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations or guidelines that may have an impact on the discharge of the Board's responsibilities.

Version Control

Version no.	Last Approved Date	Remark
Version 1.0	23 March 2022	First review since shareholding realignment in 2018
Version 2.0	8 December 2023	Enhancement of governance practice per MCCG 2021.