



*The Alumni Association
for FI Directors*

BOARD EFFECTIVENESS EVALUATION

YEAR OF ASSESSMENT [*financial year*]

COMPENDIUM

MANAGEMENT

[*entity's name*]



OBJECTIVE OF COMPENDIUM

The purpose of this compendium is to provide guidance in the completion of selected key areas in the Management questionnaire.

This compendium comprises the following areas:

Key Areas
Board responsibilities
Board culture
Board composition
Board Committees
Board administration and process



Q1 BOARD RESPONSIBILITIES

- a** The Board has provided **effective direction** to the Organisation in the **development and monitoring of strategies**, in the interest of promoting long term viability¹.

Below are areas for consideration when interpreting and assessing this parameter:

- Reviews and approves strategies and business plans that promoted the sustainable growth and financial soundness of the Organisation in the long-term
- Provides clear guidance to Management in ensuring the long-term viability of the Organisation
- Identifies and addresses key strategic challenges that affect the Organisation's performance in a timely manner
- Demonstrates fortitude in decisions made to ensure that the Organisation remains agile, innovative and competitive
- Monitors Management's implementation of strategies and business plans on an ongoing basis

Below are additional areas that are sub-sector specific for consideration:

For Islamic Banks and Takaful Operators:

- Ensures integration of Shariah principles and requirements with the Organisation's strategies

For Insurers and Takaful Operators:

- Ensures strategic initiatives, including insurance services and facilities, are conducive for well-balanced economic growth and are consistent with national objectives

For Development Financial Institutions:

- Ensures regular review and affirmation of mandate, taking into account changes within economic and financial landscape of the country

- b** The Board has been effective in **establishing appropriate KPIs for Management** aligned with the Organisation's strategic plans and objectives.

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures KPIs are aligned and balanced between the Organisation's short- and long-term strategic objectives
- Ensures integration and incorporation of ESG-related metrics into Management KPIs
- Ensures that Management is accountable for the achievement of KPI

¹ Leadership attributes from FIDE FORUM's Board Leadership Framework have been embedded into these questions



Below is an additional area that is *sub-sector* specific for consideration:

For Islamic Banks and Takaful Operators:

- Ensures KPIs are aligned and balanced between the LFI's short- and long-term strategic objectives, including those that are specific for the implementation of VBI-related initiatives

- c** The Board has provided **sound oversight to the Organisation's business conduct**, promoting leading governance and compliance standards as well as sound corporate culture.

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures that the Organisation's governance, compliance and internal control frameworks and systems are reviewed periodically for relevance
- Ensures that governance-related violations and breaches are effectively identified and promptly addressed following periodically updated policies (e.g. whistleblowing and anti-corruption policies)
- Ensures that there is a strong culture of compliance throughout the Organisation, established through appropriate policies, procedures, training programmes, and a consequence management framework

Below are additional areas that are sub-sector specific for consideration:

For Islamic Banks and Takaful Operators:

- Ensures Shariah compliance in the Organisation following a robust Shariah Governance Framework that is integrated with the Organisation's business

For Takaful Operators:

- Ensures the implementation of an operational framework to govern and promote the management of sustainable takaful operations in line with Shariah principles
- Ensures the implementation of robust policies and procedures to govern investment management and cross trading of funds to preserve the best interest of takaful participants

For financial holding companies:

- Ensures that the Group governance, compliance and internal control frameworks and systems are reviewed periodically for relevance, including the periodic review of the appropriateness of the Group-wide limits of authority, taking into consideration the nature, size and complexity of the Group
- Exercises adequate oversight over the Organisation's subsidiaries while respecting the independent legal and governance responsibilities that apply to them
- Ensures that there is a strong culture of compliance across the Group, established through appropriate policies, procedures, training programmes, and a consequence management framework



- d** The Board proactively **managed key risks** faced by the Organisation with the implementation of effective risk management systems.

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures that key risks, including emerging risks from digital technology or new business model and risks arising from intra-group transactions, are appropriately identified, monitored, managed and addressed
- Conducts periodic review of the Organisation's risk management capabilities to ensure continued ability to support the business
- Ensures that an effective risk management and control frameworks are embedded into the culture, processes and structures of the Organisation

- e** The Board has ensured that **robust crisis management and business continuity practices** are in place, including having a future ready workforce, to enable the Organisation to effectively respond to crisis situations.

Below are areas for consideration when interpreting and assessing this parameter:

- Conducts periodic review of the Business Continuity Plan ('BCP') for continued relevance
- Where applicable, ensures effective response to a crisis following the BCP
- Ensures the necessary supporting tools are in place to refine and track the Organisation's business during a crisis
- Ensures a post-crisis review is carried out in a timely manner, and where relevant, insights are incorporated into the business by Management
- Where relevant, ensures appropriate adjustments to working arrangements, capability enhancement and capacity release through virtual means of working

- f** The Board has been effective in overseeing the **development and implementation of sustainability strategies** in the Organisation, and **ensuring environmental, social and governance ("ESG") aspects** are **appropriately balanced** with the interests of various stakeholders

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures regular identification and assessment of ESG issues which may materially impact the Organisation in the long-term
- Ensures effective implementation of ESG metrics and targets to assess and manage relevant ESG risks and opportunities
- Ensures continuous integration of ESG risks and opportunities into the Organisation's long-term strategy supported by appropriate monitoring mechanisms, e.g. measuring its progress against milestones and goals set as part of the strategy

- Ensures effective integration of sustainable values and prioritization of stakeholder interests into the Organisation's strategic direction
- Ensure alignment on purpose of stakeholder engagement and readiness to manage the risks and issues raised
- Ensure Management considers investor and other stakeholder needs to balance between shareholder value and non-financial performance

Below is an additional area that is sub-sector specific for consideration:

For Islamic Banks and Takaful Operators:

- Ensures that strategies are appropriately balanced with Value-based Intermediation ('VBI') objectives

- g** The Board has ensured **appropriate strategy, technology infrastructure, data management practices and information security practices** are in place to address the needs of the Organisation.

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures technology-related innovation strategic plans are aligned and integrated with the Organisation's business objectives and strategy
- Ensures that a robust technology risk management and cyber resilience framework is in place and remains relevant to ensure the continuity of the Organisation's operations
- Ensures adherence to relevant regulatory requirements with respect to privacy, data retention and data protection

- h** The Board has provided **oversight in the management of key talent** in the Organisation, Senior Management succession planning and overall talent management in the Organisation.

Below are areas for consideration when interpreting and assessing this parameter:

- Effective identification and appointment of Senior Management following a robust Senior Management succession plan
- Appropriate compensation that commensurate with the effort and time required of Senior Management to perform their duties
- Ensures top talent are retained following appropriate talent retention and development strategies and programmes
- Ensures agility and mobility in workforce support, particularly in adapting to shifting business landscapes



- i** The Board has ensured **timely and effective communications** with the CEO, Management, shareholders and relevant stakeholders².

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures that an effective investor relations programme is in place that accurately conveys a compelling view of the Organisation and its performance externally
- Gathers views or input from relevant stakeholders regularly
- Where applicable, reports promptly to the Regulator on matters that may affect the safety and soundness of the Organisation

Below are additional areas that are sub-sector specific for consideration:

For Development Financial Institutions:

- Ensures timely and effective communication with stakeholder ministries on any matters that may affect the safety, soundness and mandate of the DFI

For financial holding companies:

- Ensures effective reporting arrangements across the Group that promote the understanding and management of material developments that may affect the Group

- j** The Board has **ensured the integrity of the Organisation's financial reporting** is in conformity with regulatory requirements and good international practices.

Below is an area for consideration when interpreting and assessing this parameter:

- Ensures financial reporting is true, fair and transparent

- k** The Board has **ensured the integrity of the Organisation's non-financial reporting** is in conformity with regulatory requirements and good international practices.

Below are areas for consideration when interpreting and assessing this parameter:

- Ensures non-financial reporting is true, fair and transparent to provide a balanced view of the Organisation
- Ensures non-financial reporting is in line with regulatory requirements, good international practices, and stakeholder expectations
- Ensures that integrated reporting is aligned with the Organisation's value drivers and is meaningful for its stakeholders
- Ensures the application of relevant sustainability frameworks and metrics

Below is an additional area that is sub-sector specific for consideration:

For Islamic Banks and Takaful Operators:

- Ensures non-financial reporting is in line with regulatory requirements, applicable Shariah objectives, principles and requirements, and good international practices



Q2 BOARD CULTURE³

- a** The Boardroom environment **encourages and values open, constructive debate and diversity of views** to reinforce mutual respect and trust.

Below are areas for consideration when interpreting and assessing this parameter:

- A balance of power and authority was evident
- Boardroom environment encourages active debate, questioning and allows for Directors to share differing viewpoints openly
- Independence and objectivity in the decision-making process is maintained in the best interest of the Organisation, its shareholders and stakeholders:
 - Independent Directors contribute effectively to objective decision making
 - Directors proactively disclose personal interests and abstain from voting where appropriate
- Directors consistently provide constructive feedback, focusing on root causes of issues and potential actions required to rectify the issues discussed
- Directors speak collectively and cohesively once decisions have been made by the Board

- b** The Board remains **united** to achieve objectives despite diversity in Board leadership attributes among Directors on the Board.

Below are areas for consideration when interpreting and assessing this parameter:

- Demonstrates strong team orientation and is considerate of others' interests as well as own
- Actively cooperates with others to achieve shared objectives
- Expresses gratitude and acknowledges the accomplishments of others
- Is courteous, free from self-absorption and acts as a team player
- Honest and forthright
- Considers and explores differences in perspective, thought, and experience of people from a variety of backgrounds

- c** The Board **demonstrates empathy** in facilitating the discussions on differing views.

Below are areas for consideration when interpreting and assessing this parameter:

- Seeks to understand differing views among Directors and facilitate discussions on differing views
- Shows empathy and is able to see things from another's perspective, i.e. promotes balancing of views
- Take charge in promoting discussions
- Is able to network easily and emphasises on the importance of networking
- Wins concessions without straining relationships

³ Leadership attributes from FIDE FORUM's Board Leadership Framework have been embedded into these questions



- d** Directors **collectively contribute positively to Boardroom discussion**, including bringing global perspectives and innovative ideas to discussions.

Below is an area for consideration when interpreting and assessing this parameter:

- Provides innovative insights with respect to new or emerging trends from a global perspective, including those in relation to digitalisation, that relate to or affect the Organisation's strategy or programmes

- e** The Board demonstrates **focus and commitment** to achieving outcomes based on the Organisation's vision, mission, strategy and KPIs despite obstacles.

Below is an area for consideration when interpreting and assessing this parameter:

- Demonstrates resilience and determination in the execution of Board-led initiatives
- Consistently driven to achieve and exceed difficult standards
- Believes that they control the course of events
- Holds positive self-perceptions
- Consistent between words and actions
- Demonstrates reliability with peers and can be counted on to follow through on their commitments

- f** The Board makes **good and timely decisions** that keep the Organisation moving forward.

Below are areas for consideration when interpreting and assessing this parameter:

- Make sound decisions
- Relies on a mixture of analysis, wisdom, experience, and judgement when making decisions
- Ensure all relevant factors are considered and is guided by appropriate decision-making criteria and principles

- g** The Board holds **itself and others accountable** to meet commitments and for decisions made.

Below are areas for consideration when interpreting and assessing this parameter:

- Boardroom environment promotes accountability amongst Directors by conveying a strong sense of urgency and drive
- Nurtures healthy Boardroom culture for Directors to proactively provide feedback



- h** The Board has been effectively **agile and comfortable** in providing leadership and decision making in situations where the way forward was not clear or ambiguous.

Below is an area for consideration when interpreting and assessing this parameter:

- Demonstrates fortitude and effective adaptability in response to changes in the business landscape
- Willing to take a stand or to take chances based on limited information
- Adopts appropriate level of comfort with uncertain, vague, or contradictory information even though it may prevent a clear understanding or direction

- i** The Board is **agile in adapting** to different demands to its role.

Below are areas for consideration when interpreting and assessing this parameter:

- Boardroom culture promotes a flexible approach to change
- Directors easily adapt their leadership styles in response to a broad range of situations and challenges
- Provide adequate guidance to the Management and/or overall Organisation to remain flexible in a changing and competitive environment

- j** The Board remains **collected and positive in the face of uncertainties** when deciding on the best course of action.

Below are areas for consideration when interpreting and assessing this parameter:

- Withhold judgements until the facts are made known
- Perceives unique situational cues and adjusts accordingly
- Is able to self-regulate and adjust reactions to suit the situation
- Uses objective language
- Remains optimistic and calm in crisis situations; poised under stress

- k** The Board is **courageous in stepping up** to address difficult issues in order to ensure that matters are deliberated in a robust manner.

Below are areas for consideration when interpreting and assessing this parameter:

- Boardroom environment encourages Directors to speak their mind and proactively share their views
- Makes tough and unpopular decision based on what is best for the Organisation as a whole



- I** The Board promotes an **effective working relationship with Management** and supports Management's execution of Board decisions by providing adequate authority, resources and reasonable targets.

Below are areas for consideration when interpreting and assessing this parameter:

- Promotes a culture of trust with Management by encouraging constructive discourse, dissenting opinions and transparency in communications
- Encourages and supports Management's execution of Board decisions by providing adequate authority, resources and reasonable targets
- Promotes a working relationship with the CEO that is based on trust, mutual appreciation and respect
- Ensures that there is no overlap of roles between the Chairman and CEO



Q3 BOARD COMPOSITION

- a** In your view, is the **current Board size** fit-for-purpose given the strategic direction of the Organisation?

Below are areas for consideration when interpreting and assessing this parameter:

- Strategic direction of the LFI
- External factors, e.g. impact of new regulations, competition and technological advancement
- Workload demands for the Board and Board Committees for the year
- Complexity of the LFI
- Agility in decision-making
- Succession planning

- b** The current Board composition has the **necessary experience and expertise** required and is **sufficiently diverse** in knowledge, experience and expertise to contribute to robust Board discussions and effective decision making.

Below are areas for consideration when interpreting and assessing this parameter:

- Breadth and depth of experience based on career/ business history
- Expertise in terms of knowledge and skills in a particular field
- Leadership qualities
- Gender
- Cultural background
- Age
- Whether current Board composition is representative of LFI's customer base



Q4 BOARD COMMITTEES

a Do you agree that the Committees effectively demonstrates the following attributes?

i. Effectively **engages issues** and **discharges its responsibilities** based on its Terms of Reference.

Board Audit Committee

Below are areas for consideration when interpreting and assessing this Board Committee:

- Ensures true, fair and transparent financial reporting
- Ensures true, fair, transparent and balanced non-financial reporting, as well as the appropriate application of relevant frameworks and metrics
- Provides oversight on internal audit matters to ensure the adequacy, authority and effectiveness of the internal audit function in performing its duties
- Provides oversight on external audit matters to ensure the objectivity, performance and independence of the external auditor
- Reviews all related party transactions and conflict of interest situations that may arise within the Organisation to ensure Directors, Management and all employees uphold impeccable integrity in his/ her conduct

Board Risk Management Committee

Below are areas for consideration when interpreting and assessing this Board Committee:

- Sets the tone towards effective risk management and compliance culture, which is evident across the Organisation
- Ensures that effective risk management and compliance practices are embedded in all aspect of the Organisation's activities
- Reviews the adequacy of risk management and compliance policies and frameworks and the extent to which these are operating effectively
- Ensures that infrastructure, resources and systems are in place to effectively manage risks and compliance matters
- Ensures that effective channels are in place to raise integrity matters, and that these integrity matters are appropriately addressed in a timely manner
- Ensures the integration of ESG risks into the Organisation's existing risk management framework to enable a holistic monitoring of enterprise risks
- Ensures that ESG risks are considered in enterprise and financing decisions



Board Nomination & Remuneration Committee

Below are areas for consideration when interpreting and assessing this Board Committee:

- Oversees the overall composition of the Board to ensure appropriate mix of knowledge, experience and expertise, leadership competencies and traits, and the balance between Executive Directors, Independent Non-Executive Directors & Non-Independent Non-Executive Directors, that can contribute to robust Board discussions and effective decision making
- Ensures effective identification and appointment of successors to Boardroom positions following a clear Board Succession Plan (e.g. using multiple methods to source for potential Directors)
- Ensures that a robust process is in place for the reappointment of Directors
- Periodically reviews the remuneration of Directors to ensure that remuneration appropriately commensurate the effort and time required of Directors
- Ensures effective implementation of Board onboarding and learning programmes to ensure that Directors keep abreast of the latest developments in the Organisation and the industry
- Establishes an effective mechanism to assess the effectiveness of the performance of the Board as a whole, Board Committees, and individual Directors, and subsequently oversees the annual assessment to ensure the achievement of its intended outcomes
- Ensures effective identification and appointment of Senior Management following a robust Senior Management succession plan
- Ensures appropriate compensation that commensurate with the effort and time required of Senior Management to perform their duties

Below are additional areas that are sub-sector specific for consideration:

For Islamic Banks and Takaful Operators:

- Ensures effective identification and appointment of the Shariah Advisory Council members following a robust Shariah Advisory Council succession plan
- Ensures appropriate compensation that commensurate the effort and time required of the Shariah Advisory Council members to perform their duties

**Board Information Technology Committee**

Below are areas for consideration when interpreting and assessing this Board Committee:

- Ensures technology-related innovation strategic plans are aligned and integrated with the Organisation's business objectives and strategy
- Ensures that a robust technology risk management and cyber resilience framework is in place and remains relevant to ensure the continuity of the Organisation's operations
- Ensures adherence to relevant regulatory requirements with respect to privacy, data retention and data protection
- Reviews and monitors overall IT expenditure and projects to ensure their value delivery
- Reviews the adequacy of key IT policies and frameworks to ensure the effectiveness of internal control systems and reliability of management information system
- Ensures effective use of information assets and IT resources

Board Investment Committee

Below are areas for consideration when interpreting and assessing this Board Committee:

- Ensures fair and transparent considerations have been taken into account in the evaluation of financing and investment applications
- Ensures fair and transparent considerations have been taken into account in deciding the appropriate action(s) to be taken on non-performing financing and investment accounts

Board Credit Committee

Below are areas for consideration when interpreting and assessing this Board Committee:

- Ensures fair and transparent considerations have been taken into account in the evaluation of credit facilities and commitments, including considerations on whether the credit facilities and commitments expose the Organisation to undue excessive risks
- Reviews the adequacy of credit-related policies and the extent to which these are operating effectively



Shariah Advisory Council (for Islamic Banks and Takaful Operators)

Below are areas for consideration when interpreting and assessing the working relationship between the Board and the Shariah Advisory Council:

- The Board has an adequate understanding of the concept of Shariah principles and how they impact the business
- Shariah Advisory Council has an adequate understanding of the Organisation's business and products, and takes them into consideration when advising the Board on Shariah matters
- Shariah Advisory Council provides effective advice to the Board on Shariah compliance matters to enable appropriate action(s) to be taken in a timely manner, if needed

ii. The **current Board Committee composition** contributes to robust discussions and enables the Committee to carry out its duties effectively.

Below are areas for consideration when interpreting and assessing this parameter:

- Has the relevant technical skills and experience, including knowledge on related laws and regulations, to allow for effective decision makings by the Committee
- Fulfils such other composition requirements as prescribed by relevant regulations to enable the Committee to carry out its duties effectively

v. The Board Committee Chairman effectively **leads the Committee** to ensure robust decision making.

Below are areas for consideration when interpreting and assessing this parameter:

- Is decisive and action-oriented in ensuring that discussion takes place in a timely manner following the meeting agenda
- Encourages contribution from all Board Committee members by facilitating a consultative and open environment in the Boardroom that limited groupthink
- Ensures timely reporting of the Committee's work to the Board, including outcome of deliberations on key matters requiring the Board's approval and attention



Q5 BOARD ADMINISTRATION AND PROCESS

- a Governance documents and processes** (Board Charter, Board Committee Terms of Reference, Annual Board agenda and other governance documents) have been effective in facilitating the Board in discharging its responsibilities.

Below are areas for consideration when interpreting and assessing this parameter:

- Board Charter, Board Committee Terms of Reference and other governance documents provides clarity to the Board's role vis-à-vis Management's
- Annual Board agenda focuses on key matters, including the Board's principal responsibilities
- Meeting agendas are appropriately arranged to allow sufficient time to discuss the most complex and critical issues and are distributed in advance to provide sufficient notice
- Board papers are well-structured with emphasis on pertinent information for decision making and distributed in advance for adequate preparation
- Board minutes are well-structured, concise, accurate and are circulated in a timely manner

- b Board and Board Committee meetings** have been conducted regularly and effectively with sufficient time allocated to each meeting for robust discussion and effective decision making.

Below are areas for consideration when interpreting and assessing this parameter:

- Appropriate length for robust discussion and effective decision making
- Appropriate frequency to discuss and follow through on key issues

- c The Company Secretary** has been effective in discharging his/ her role in supporting effective Board functioning.

Below are areas for consideration when interpreting and assessing the Company Secretary:

- Provides counsel to the Board on governance matters, corporate disclosures and compliance with relevant regulatory requirements
- Monitors corporate governance developments and assisted the Board in applying governance practices, where applicable
- Facilitates effective information flows between the Board, Board Committees, and Senior Management
- Leverages technology to enhance efficiency of meetings



THANK YOU

Thank you for your time and valuable input to the [**financial year**] Board Effectiveness Evaluation exercise.

The next steps in this exercise will involve the following:

- Collation and analysis of results from all Directors and Management
- Preparation of the Board Effectiveness Evaluation report