

HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.

The Board of Directors ("Board") also reviewed the manner in which the BNM policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

A. Board of Directors

I Roles and Responsibilities of the Board

The Board assumes responsibility for effective stewardship and control of the Company and has established Terms of Reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Company's website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the Chief Executive Officer ("CEO") who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls to the Group Board Audit Committee ("GBAC") under HLA Holdings Sdn Bhd ("HLAH"); and risk management and compliance to the Group Board Risk Management Committee ("GBRMC") under HLAH. The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

I Roles and Responsibilities of the Board (continued)

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Company for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Company and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at 'www.ssm.com.my'. In addition, the Company also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Company and it provides a structured channel for all employees of the Company and any other persons providing services to, or having a business relationship with the Company, to report any concerns about any improper conducts, wrongful acts or malpractice committed within the Company.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

II Board Composition

The Board currently comprises five (5) Directors. The five (5) Directors are made up of one (1) Executive Director and four (4) Non-Executive Directors, of whom three (3) are independent.

The Company is guided by BNM Corporate Governance Policy in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in July 2020, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

III Board Meetings

The Board met seven (7) times during the financial year ended 30 June 2020 with timely notices of issues to be discussed. Details of attendance of each Director are as follow:

<u>Directors</u>	<u>Attendance</u>
Mr Martin Giles Manen (Chairman)	7/7
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	7/7
Ms Loh Guat Lan	7/7
Mr Masakatsu Komaita	7/7
Encik Zulkiflee Bin Hashim	7/7

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile

1 MR MARTIN GILES MANEN
Chairman/Non-Executive Director/Independent
Age 65, Male, Malaysian

Mr Martin Giles Manen is a Chartered Accountant and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Mr Martin Manen had served more than 21 years with Sime Darby Group from January 1986 to July 2007, holding various senior roles, including Executive Director, Group Tax Controller, Group Company Secretary and Group Finance Director. During his term as Group Finance Director and Executive Director of Sime Darby Berhad, he had full responsibility for the entire finance function within the Sime Darby Group, encompassing finance & accounting, corporate finance & planning, and information technology, with all of the divisional finance directors reporting to him. He also had served as a member of the Malaysian Accounting Standards Board, the Executive Committee of the International Fiscal Association (Malaysian Branch), the Task Force on the formation of an Audit Oversight Board chaired by the Securities Commission ("SC") and the Accounting Technical Panel of the SC as well as a Director and Chairman of the Board Audit and Risk Management Committee of Hong Leong Investment Bank Berhad.

Mr Martin Manen is the Chairman of Hong Leong MSIG Takaful Berhad ("HLMT") and was appointed to the Board of HLMT on 16 April 2018. He is a member of the Remuneration Committee ("RC") of HLMT and a member of the GBAC of HLAH.

Mr Martin Manen is presently an INED and Chairman of Audit Committee of Heineken Malaysia Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad and an INED of BOS Wealth Management Malaysia Berhad, a public company.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

2 YM TUNKU DATO' MAHMOOD FAWZY BIN TUNKU MUHIYIDDIN

Non-Executive Director/Independent

Age 62, Male, Malaysian

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin received his BA (Hons) Business Studies from the Polytechnic of Central London, Masters in Business Administration from the University of Warwick, the Diploma in Marketing from the Chartered Institute of Marketing. He is a Fellow of the Institute of Corporate Directors Malaysia, Member of the Australian Institute of Company Directors, Malaysian Institute of Management, and Malaysian Institute of Corporate Governance.

YM Tunku Dato' Mahmood Fawzy was appointed to the Board of HLMT on 3 January 2012. He is a member of the RC and the NC of HLMT and also a member of the GBAC and the GBRMC of HLAH.

YM Tunku Dato' Mahmood Fawzy is the Chairman of Deutsche Bank (Malaysia) Berhad and an Independent Director of Hong Leong Assurance Berhad ("HLA") and Hong Leong Asset Management Bhd. He is also the Chairman of Financial Services Professional Board ("FSPB"), which was established by Bank Negara Malaysia and Securities Commission Malaysia in 2014.

He was previously the Chairman of VADS Berhad, a wholly-owned subsidiary of Telekom Malaysia Berhad ("TM"), the Senior Independent Director of TM, an INED of Hong Leong Islamic Bank Berhad and SapuraKencana Petroleum Berhad/Kencana Petroleum Berhad and a Non-Independent Non-Executive Director of Malaysia Airports Holdings Berhad and Pos Malaysia Berhad. He was also a Director of Ethos Capital One Sdn Berhad, Federation of Investment Managers Malaysia, Webe Digital Sdn Bhd, a subsidiary of TM Group of companies, Energy Africa Limited, and Engen Limited in South Africa.

YM Tunku Dato' Mahmood Fawzy draws on a wealth of strategy, governance, management, and cross border experience in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services, across several international locations including the United Kingdom, New Zealand, South Africa and Malaysia.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

3 MS LOH GUAT LAN Executive Director/Non-Independent Age 55, Female, Malaysian

Ms Loh Guat Lan holds a Bachelor of Science in Human Development (major in Food Nutrition) and is the fellow member of Life Management Institute (FLMI), Customer Service Management (CSM) and Life Office Management (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP). Ms Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of HLA and was subsequently appointed as the Group Managing Director/Chief Executive Officer of HLA on 1 September 2009. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms Loh was appointed to the Board of HLMT on 1 November 2009 and is a member of the NC of HLMT.

Ms Loh is the Chairman of HL Assurance Pte Ltd and a Director of MSIG Insurance (Malaysia) Bhd, HLAH and Hong Leong Insurance (Asia) Limited. She is also the President of Life Insurance Association of Malaysia (LIAM) and a Board Member of Financial Industry Collective Outreach (FINCO) and FSPB.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

4 MR MASAKATSU KOMAITA
Non-Executive Director/Non-Independent
Age 58, Male, Japanese

Mr Masakatsu Komaita graduated from the Faculty of Literature and Sciences, the Department of Economics, Yamagata University, Japan. He has over 33 years of experience in the insurance industry, all of which were in MSIG, and his experience and expertise encompasses sales promotion, sales planning of insurance as well as governance and administration of international business operations.

Mr Masakatsu Komaita first joined Mitsui Sumitomo Insurance Company, Limited ("MSIJ") in 1986, and was promoted to Assistant General Manager, Insurance Planning Department of Ginsen Company Limited, a subsidiary of MSIJ in 2007. In 2010, he was appointed as the Assistant General Manager, Government Business Development Department to lead the bancassurance for life insurance in Japan Post Group before assuming his position as Assistant General Manager, Corporate Planning of Asian Life Insurance Business Department in 2012. Mr Masakatsu Komaita was promoted to the position of General Manager on 1 April 2014 where he was responsible for business expansion into Asian local insurance business in Malaysia.

Mr Masakatsu Komaita was appointed to the Board of HLMT on 6 May 2014.

Mr Masakatsu Komaita is also a Director of HLA, a public company.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

5 ENCIK ZULKIFLEE BIN HASHIM Non-Executive Director/Independent Age 61, Male, Malaysian

Encik Zulkiflee bin Hashim graduated with a Diploma in Credit Management from the Institut Teknologi MARA (now known as Universiti Teknologi MARA).

Encik Zulkiflee has over 35 years' of experience in the banking industry. He started his career with Citibank Malaysia in 1979 and left his position as Vice President in November 1991. From December 1991 to November 1997, Encik Zulkiflee was with Deutsche Bank (Malaysia) Berhad. He was the Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services. From July 1998 to October 2011, Encik Zulkiflee was the Executive Director of Hong Leong Bank Berhad ("HLB"). Prior to his retirement in 2015, he was HLB's Chief Operating Officer, Group Strategic Support from November 2011 to January 2015. During the tenure with HLB, he was given the responsibility to oversee various areas such as Branch and Banking Operations, Integrated Risk Management, Credit Management, Information Technology, Islamic Banking, Wholesale Operations, Retail Operations, Legal and Corporate Communications & Public Relations.

Encik Zulkiflee was appointed to the Board of HLMT on 28 May 2019. He is the Chairman of the NC and the RC of HLMT, and a member of the GBRMC of HLAH.

Encik Zulkiflee is presently an INED of Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) and GuocoLand (Malaysia) Berhad.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as Director of the Company. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the financial year ended 30 June 2020, the Directors received regular briefings and updates on the Company's businesses, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and senior management.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Training (continued)

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the financial year ended 30 June 2020, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Enlightenment Training of Human Rights
- Legal Compliance Training
- AMLA Training 2019
- Breakfast Talk on "MFRS 17: Understanding Its Impact and Consequences"
- Audit Committee Institute Breakfast Roundtable
- Bursa Thought Leadership - Convergence Digitalisation and Sustainability
- FIDE Forum: Leadership in a Disruptive World - The Changing Role of Board
- Securities Commission Malaysia Audit Oversight Board Conversations with Audit
- Capital Markets Director Programme Module 2B Business Challenges and Regulatory Expectations - What Directors Need To Know
- Petronas Director Development Program
- UKM - The 4th Chancellor Tuanku Muhriz Lecture: "Apakah Governans yang Baik, Bagus untuk Pembangunan?"
- Khazanah Megatrends
- International Directors Summit 2019 - The Trust Compass: Resetting the Course
- BOLD 3.0: Future Fluent Board Leadership in Asia
- Tax Forum
- Leadership in the face of Crisis: Practising Gratitude for Mental Health
- AI Led Innovation at Scale - How Digital Insurers are Leading the Way
- Preparing Insurance sector for post COVID-19
- Enterprise Resilience: Now, Next and Beyond
- How customer centricity can help you stay in business
- Riding the waves of business disruption: managing tax requirements and exploring opportunities
- FIDE Forum Exclusive Webinar Session - Outthink the Competition: Excelling in a Post Covid-19 World
- How is COVID-19 impacting customer experience?
- Putting people skills and cultural change at the heart of digital transformation of the insurance industry

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Training (continued)

- Spotlight on family enterprises (2): Preservation of cash and creation of liquidity
- FIDE Core Programme (Bank): Module A
- FIDE Core Programme (Bank): Module B
- Cyber Security and Technology Development
- Shariah Governance Policy
- Overview of Basel II Requirements
- Banking Recovery Proceedings

B. Board Committees

Board Committees have been established by the Board to assist in the discharge of its duties.

(a) GBAC of HLAH

The GBAC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Audit Committees of HLAH, HLA and HLMT at HLAH, being the financial holding company. The Board Audit and Risk Management Committee ("BARMC") of HLMT was disbanded on 13 December 2017 with the establishment of the GBAC and GBRMC under HLAH.

The financial reporting and internal control system of the Company is overseen by the GBAC, which comprises the following members:

Ms Lim Tiau Kien

(Chairman of GBAC and Independent Non-Executive Director of HLAH)

YBhg Dato Siow Kim Lun @ Siow Kim Lin

(Chairman, Independent Non-Executive Director of HLAH and Independent Non-Executive Director of HLA)

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

(Independent Non-Executive Director of HLMT and HLA)

Ms Shalet Marian

(Independent Non-Executive Director of HLA)

Mr Martin Giles Manen

(Chairman, Independent Non-Executive Director of HLMT)

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC of HLAH (continued)

SECRETARY

The Secretary(ies) to the GBAC are the Company Secretary(ies) of the Company.

Terms of Reference

The primary functions and responsibilities of the GBAC are set out in the terms of reference as follows:

External Audit

- To make recommendations to the Board of HLAH and its subsidiaries on the appointment, removal and remuneration of the external auditor.
- To review the terms of engagement and the audit plan prior to engaging the external auditors and/or re-appointment of the external auditor.
- To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
- To review the assistance given by the officers of HLAH and its subsidiaries to the external auditor.
- To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the GBAC on significant
- To review the report of the external auditor, including any significant matters, and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
- To review third-party opinions on the design and effectiveness of the Group's internal control framework.

Financial Reporting

- To review the accuracy and adequacy of the chairman's statement (if any) in the directors' report, corporate governance disclosures, interim financial reports and annual financial statements.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC of HLAH (continued)

Related Party/Connected Party Transactions

- To review and update the Board of HLAH and its subsidiaries on any related party transactions that may arise within the Group.
- To monitor compliance with the Board of HLAH and its subsidiaries' conflict of interest policy.

Internal Audit

- To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
- To review the adequacy and effectiveness of internal controls and risk management processes.
- To review reports and significant findings by internal audit function, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
- To support the Board of HLAH and its subsidiaries in meeting the expectations on internal audit management as set out in BNM's policy document, "Guidelines on Internal Audit Function of Licensed Institutions".
- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Insurance Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes a regular review to determine whether the internal audit function has appropriate standing within the Group to undertake its activities independently and objectively.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC of HLAH (continued)

Terms of Reference (continued)

Internal Audit (continued)

- To engage privately with the Head of Insurance Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Insurance Audit to discuss issues faced by the internal audit function.
- To review the Audit Charter of HLAH and its subsidiaries and recommend for respective Board's approval.
- To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.
- To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialised areas.
- To note significant disagreements between the Head of Insurance Audit and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings.
- Other audit functions as may be agreed to by the GBAC and the Board of HLAH and its subsidiaries.

Group Governance

- Noted that:
 - a) Hong Leong Financial Group Berhad ("HLFG") as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within its group of companies ("HLFG Group").
 - b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.
 - c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC of HLAH (continued)

Terms of Reference (continued)

Group Governance (continued)

- d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- The GBAC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group ("Insurance Group") shall align the responsibilities as set out above for the Insurance Group.

Authority

- The GBAC is authorised by the Board of HLAH and its subsidiaries to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBAC.
- The GBAC is authorised by the Board of HLAH and its subsidiaries to obtain independent legal or other professional advice if it considers necessary.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC of HLAH (continued)

Terms of Reference (continued)

Meetings

- The GBAC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such financial updates and annual financial statements being presented to the Board of HLAH and its subsidiaries for approval.
- The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Insurance Audit, other senior management and external auditors may be invited to attend the GBAC meetings, whenever required.
- At least twice a year, the GBAC will have separate sessions with the external auditors without the presence of Executive Directors and management.
- Issues raised, discussions, deliberations, decisions and conclusions made at the GBAC meetings are recorded in minutes of the GBAC meetings. A GBAC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBAC meeting where the material transaction or material arrangement is being deliberated by the GBAC.
- Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive,
- After each GBAC meeting, the GBAC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBAC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

Activities

The GBAC carried out its duties in accordance with its TOR.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC of HLAH (continued)

Terms of Reference (continued)

During the financial year ended 30 June 2020, eight (8) GBAC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tiau Kien	8/8
YBhg Dato Siow Kim Lun @ Siow Kim Lin	8/8
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	8/8
Ms Shalet Marian	7/8
Mr Martin Giles Manen	8/8

Insurance Audit Department

The Company's Internal Audit function is outsourced to HLA. Internal Audit employs a risk-based assessment approach in auditing the Company's business and operational activities. An annual audit plan is developed and approved by the GBAC. All internal audit reports which incorporate the management's responses were tabled for discussion at the GBAC meetings.

During the financial year ended 30 June 2020, Internal Audit carried out its duties covering audit on risk management, retakaful, investment, agency training, information system and regulatory compliance audit. These audits are performed in line with BNM Guidelines on Internal Audit Function.

The cost incurred for the Internal Audit function in respect of the current financial year was RM430,202 (2019: RM404,576).

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC of HLAH

The GBRMC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Risk Management Committees of HLAH, HLA and HLMT at HLAH. The BARMC of HLMT was disbanded on 13 December 2017 with the establishment of GBAC and GBRMC under HLAH.

The risk management and compliance system of the Company is overseen by the GBRMC which comprises the following members:

Ms Koid Swee Lian

(Chairman of GBRMC and Independent Non-Executive Director of HLAH)

YBhg Dato Siow Kim Lun @ Siow Kim Lin

(Chairman, Independent Non-Executive Director of HLAH and Independent Non-Executive Director of HLA)

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

(Independent Non-Executive Director of HLMT and HLA)

YBhg Datin Ngiam Pick Ngoh

(Independent Non-Executive Director of HLA)

Encik Zulkiflee bin Hashim

(Independent Non-Executive Director of HLMT)

SECRETARY

The Secretary to the GBRMC is the Chief Risk Officer of HLA.

Terms of reference of GBRMC

The primary functions and responsibilities of the GBRMC are set out in the TOR as follows:

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC of HLAH (continued)

Risk Management

- To review management's activities in managing principal risks such as credit, market, liquidity, operational, compliance, Shariah compliance, insurance and IT risks, and the risk management process.
- To review management's reporting to the Board of HLAH and its subsidiaries on measures taken to:
 - a) Identify and examine principal risks faced by HLAH and its subsidiaries.
 - b) Implement appropriate systems and internal controls to manage these risks.
- To review management's major risk management strategies, policies and risk tolerance for Board of HLAH and its subsidiaries' approval.
- To review management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), including management's stress testing programme, annual risk appetite, Individual Target Capital Level ("ITCL") and Capital Management Plan for Board of HLAH and its subsidiaries' approval.
- To review management's development and effective implementation of the ICAAP.
- To review management's periodic reports on risk appetite, risk exposure, risk portfolio composition and risk management activities.
- To review the adequacy and effectiveness of management's internal controls and risk management process.
- To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- To review risk management function's infrastructure, resources and systems and that the staff responsible for implementing risk management systems perform those duties independently of HLAH and its subsidiaries' risk taking activities.
- To receive reports from pertinent management committees.
- To review management's implementation of risk management as set out in BNM's policy document on Risk Governance, Approach to Regulating and Supervising Financial Groups, Corporate Governance and Shariah Governance Framework.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC of HLAH (continued)

Risk Management (continued)

- To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer ("CRO").
- To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
- Other risk management functions as may be agreed to by the GBRMC and the Board of HLAH and its subsidiaries.

Compliance

- To assist the Board of HLAH and its subsidiaries in the oversight of the management of compliance risk by :
 - a) reviewing compliance policies and overseeing management's implementation of the same;
 - b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and
 - c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
 - d) reviewing annually the effectiveness of HLAH and its subsidiaries' overall management of compliance risk, having regard to the assessments of senior management and internal audit and interactions with the CCO;
 - e) updating the Board of HLAH and its subsidiaries on all significant compliance matters, including providing its views on (a) to (d) above.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC of HLAH (continued)

Compliance (continued)

- In relation to the role of the CCO, support the Board of HLAH and its subsidiaries in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:
 - a) reviewing and advising on the appointment, remuneration, removal and redeployment of the CCO;
 - b) ensuring that CCO has sufficient stature to allow for effective engagement with the CEO and other members of senior management;
 - c) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
 - d) ensuring that the CCO is supported with sufficient resources to perform his duties effectively;
 - e) where CCO also carries out responsibilities in respect of other control functions, the GBRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
- Other compliance functions as may be agreed to by the GBRMC and the Board of HLAH and its subsidiaries.

Group Governance

- Noted that :
 - a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within HLFG Group.
 - b) HLFG Boards responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.
 - c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC of HLAH (continued)

Group Governance (continued)

- d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- The GBRMC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- HLAH, as the financial holding company of the insurance and Takaful entities of the Insurance Group shall align the responsibilities as set out above for the Insurance Group.

Authority

- The GBRMC is authorised by the Board of HLAH and its subsidiaries to review any activity of HLAH and its subsidiaries within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBRMC.
- The GBRMC is authorised by the Board of HLAH and its subsidiaries to obtain independent legal or other professional advice if it considers necessary.

Meetings

- The GBRMC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC of HLAH (continued)

Meetings (continued)

- The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Insurance Audit and other senior management may be invited to attend the GBRMC meetings, whenever required.
- Issues raised, discussions, deliberations, decisions and conclusions made at the GBRMC meetings are recorded in minutes of the GBRMC meetings. A GBRMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBRMC meeting where the material transaction or material arrangement is being deliberated by the GBRMC.
- Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive, shall constitute a quorum.
- After each GBRMC meeting, the GBRMC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBRMC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

Activities

The GBRMC carried out its duties in accordance with its TOR.

During the financial year ended 30 June 2020, eight (8) GBRMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Koid Swee Lian	8/8
YBhg Dato Siow Kim Lun @ Siow Kim Lin	8/8
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	8/8
YBhg Datin Ngiam Pick Ngoh	8/8
Encik Zulkiflee bin Hashim	8/8

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) Nomination Committee

The composition of the NC is as follows:

Encik Zulkiflee bin Hashim (Chairman)	(Independent Non-Executive Director)
<i>(Appointed as NC Chairman with effect from 1 July 2020)</i>	
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	(Independent Non-Executive Director)
Ms Loh Guat Lan	(Non-Independent Executive Director)
Mr Martin Giles Manen	(Independent Non-Executive Director)
<i>(Resigned as NC Chairman with effect from 1 July 2020)</i>	

SECRETARY

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the NC.

Terms of Reference

The primary functions and responsibilities of the NC are set out in the TOR as follows:

The NC's responsibilities are as follows:

- Support the Board in carrying out its functions in the following matters concerning the board, Shariah Committee ("SC"), senior management and company secretary(ies):
 - a) appointments and removals;
 - b) composition;
 - c) performance evaluation and development; and
 - d) fit and proper assessments.
- Recommend to the Board the minimum criteria and skill sets for appointments of the Board, Board Committees, SC and for the position of Chief Executive Officer ("CEO").
- Review and recommend to the Board, all Board, Board Committees and SC appointments, re-appointments and removals including of the CEO.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) Nomination Committee (continued)

The NC's responsibilities are as follows: (continued)

- Review annually the overall composition of the Board and SC in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, competence, knowledge and mix of skills and other core competencies required.
- Assess annually the performance and effectiveness of the Board, Board Committees, each individual director and SC member and their contributions to the overall functions.
- Oversee the appointment and management of succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2020, four (4) NC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Zulkiflee bin Hashim (Chairman)	*
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	4/4
Ms Loh Guat Lan	4/4
Mr Martin Giles Manen	4/4

* The NC meetings were held before Encik Zulkiflee bin Hashim's appointment.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(d) Remuneration Committee

The composition of the RC is as follows:

Encik Zulkiflee bin Hashim (Chairman) (Independent Non-Executive Director)
(Appointed as RC Chairman with effect from 1 July 2020)

YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (Independent Non-Executive Director)

Mr Martin Giles Manen (Independent Non-Executive Director)
(Ceased as RC Chairman and redesignated as RC member with effect from 1 July 2020)

SECRETARY

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the RC.

Terms of Reference

The primary functions and responsibilities of the RC are set out in the TOR as follows:

The RC's responsibilities are as follows:

- Recommend to the Board the framework and policies governing the remuneration of the:
 - a) Directors;
 - b) SC;
 - c) CEO;
 - d) Senior management officers; and
 - e) Other material risk takers.
- Review and recommend to the Board for approval the specific remuneration packages of executive directors and the CEO.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(d) Remuneration Committee (continued)

- Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.
- Review and recommend to the Board for approval the remuneration of SC members.
- Other remuneration matters as may be agreed by the Board.

During the financial year ended 30 June 2020, two (2) RC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Zulkiflee bin Hashim (Chairman)	2/2
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	2/2
Mr Martin Giles Manen	2/2

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

Disclosure

The detailed remuneration of each Director during the financial year ended 30 June 2020 is set out in Note 24 to the financial statements.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(d) Remuneration Committee (continued)

Remuneration Policy

The Company's remuneration strategy supports and promotes a high performance culture to deliver the Company's vision to be a highly digital and innovative takaful insurer. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process which incorporates meritocracy in performance, the Company's values, key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

The remuneration framework also reinforces a strong internal governance on performance and remuneration of control functions which are measured and assessed independently from business units/functions they support to avoid any conflict of interests. The framework stipulates that for effective segregation these staff will be appraised principally based on achievement of their control objectives.

Compensation for Material Risk Takers

The remuneration for member of senior management and other material risk taker is approved by the board annually.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(d) Remuneration Committee (continued)

The remuneration for Senior Officers and Material Risk Takers for financial year 2019/2020 is shown in the table below:

Total value of remuneration awards for the financial year	CEO		Senior Management and other Material Risk Takers	
	Unrestricted (RM)	Deferred (RM)	Unrestricted (RM)	Deferred (RM)
Fixed Remuneration				
• Cash-based	636,000	-	2,957,617	-
• Shares and share-linked instruments	-	-	-	-
• Other	-	-	-	-
Variable Remuneration				
• Cash-based	277,734	-	508,695	-
• Shares and share-linked instruments	-	-	-	-
• Other	176,098	-	714,637	-

C. Independence

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the Fit and Proper Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon completion of the 9 years, an independent director shall retire on the expiry date of his or her term of office approved by BNM.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a Director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from Directors who have, over time, gained valuable insight into the Company, its market and the industry.

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CORPORATE GOVERNANCE (CONTINUED)

C. Independence (continued)

The independent Directors have declared their Independence, and the NC and the Board have determined, at the annual assessment carried out, that the independent Directors, have continued to bring objective judgment to the Board deliberations and decision making. The tenure of all the Independent directors on the Board does not exceed 9 years.

D. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016. They support the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the Chief Executive Officer of the Company.

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CORPORATE GOVERNANCE (CONTINUED)

D. Commitment (continued)

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

E. Internal Control Framework

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company and stakeholders' interest.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. It is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

F. Corporate Independence

The Company has complied with BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 23 to the financial statements.

G. Management Accountability

The Company operates in an organisational structure and environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment. Human resource procedures of the Company provide for the setting of goals and training of each employee. The Company conducts formal appraisals for each employee on an annual basis.

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CORPORATE GOVERNANCE (CONTINUED)

H. Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff of the Company are required to comply with the Code of Ethics and Conduct.

I. Relationship with Auditors

The external auditors are appointed on the recommendation by the GBAC, which determines the remuneration of the external auditors. The external auditors meet with the GBAC to:

- a) Present the scope of the audit before the commencement of audit; and
- b) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

J. Shariah Committee ("SC")

The Board has appointed an independent Shariah Committee ("SC"), whose members are made up of qualified persons as approved by BNM, to provide advice, decision, views and opinions related to Shariah matters, as well as perform oversight role on Shariah matters related to the business operations, affairs and activities to ensure compliance with Shariah.

The members of the SC are as follows:

Assoc. Prof. Dr. Amir Shaharuddin (Appointed with effect from 1st April 2020)	(Chairman)
Puan Zarinah Mohd Yusoff (Appointed with effect from 1st April 2020)	(Member)
Assoc. Prof. Dr. Asmak Ab Rahman (Re-appointed with effect from 1st April 2020)	(Member)
Assoc. Prof. Dr. Nurul Aini Muhamed (Re-appointed with effect from 1st April 2020)	(Member)
Dr. Muhammad Aunurrochim Mas'ad Saleh (Re-appointed with effect from 1st April 2020)	(Member)
Assoc. Prof. Dr. Ab. Mumin Ab. Ghani (Resigned with effect from 31st March 2020)	
Asst. Prof. Dr. Uzaimah Ibrahim (Resigned with effect from 31st March 2020)	

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CORPORATE GOVERNANCE (CONTINUED)

J. Shariah Committee ("SC") (continued)

During the financial year ended 30 June 2020, eleven (11) SC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Assoc. Prof. Dr. Amir Shaharuddin	5/5
Puan Zarinah Mohd Yusoff	5/5
Assoc. Prof. Dr. Asmak Ab Rahman	11/11
Assoc. Prof. Dr. Nurul Aini Muhamed	10/11
Dr. Muhammad Aunurrochim Mas'ad Saleh	10/11
Assoc. Prof. Dr. Ab. Mumin Ab. Ghani	6/6
Asst. Prof. Dr. Uzaimah Ibrahim	5/6

The SC has the responsibility to provide objective and sound advice to the Company to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- a) providing a decision or advice to the Company on the application of any rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Company;
- b) providing a decision or advice on matters which require a reference to be made to the SAC;
- c) providing a decision or advice on the operations, business, affairs and activities of the Company which may trigger a Shariah non-compliance event;
- d) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- e) endorsing a rectification measure to address a Shariah non-compliance event.