

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

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 interests of other stakeholders.

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

A. Board of Directors ("Board")

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 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 is reviewed periodically by the Board. The key roles and responsibilities of the Board broadly covers 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 of them by BNM as specified in guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and her 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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

I Roles and Responsibilities of the Board (cont'd)

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit function, internal controls; and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/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.

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

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

The GMD/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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

I Roles and Responsibilities of the Board (cont'd)

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.

II Board Composition

The Board comprises the Chairman who is an Independent Non-Executive Director, an Executive Director and two Independent Non-Executive Directors.

The Company is guided by BNM CG 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 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.

The Board is of view that the current size and composition of the Board are appropriate and effective for the control and direction of the Company's business.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

II Board Composition (cont'd)

During the financial year ended 30 June 2017, five (5) Board Meetings were held and the attendance of the Directors was as follows:

<u>Directors</u>	<u>Attendance</u>
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	5/5
Ms Loh Guat Lan	5/5
Ms Lim Tau Kien	5/5
Ms Koid Swee Lian (Appointed with effect from 8 May 2017)	1/1
Mr Tan Kong Khoon (Resigned with effect from 1 January 2017)	2/2

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

Supply of Information

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated 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 the Company Secretary and Internal Auditors. All Directors also have access to independent professional advice at the Company's expense, in consultation with the Chairman or the GMD/CEO of the Company.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Directors' Profile

YBHG DATO' SIOW KIM LUN @ SIOW KIM LIN

Chairman/Non-Executive/Independent
Age 67, Male, Malaysian

YBhg Dato' Siow Kim Lun @ Siow Kim Lin holds an MBA from the Catholic University of Leuven, Belgium and a Bachelor of Economics (Hons) from the National University of Malaysia. He has also attended the Advanced Management Program at Harvard Business School.

YBhg Dato' Siow started his career in investment banking with Malaysia International Merchant Bankers Berhad in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, YBhg Dato' Siow was with the Securities Commission, where he served as the Director of its Issues and Investment Division and the Director of its Market Supervision Division. He has also served as a member of the Listing Committee of Bursa Malaysia Securities Berhad from May 2007 to May 2009.

YBhg Dato' Siow is currently a board member of Hong Leong Assurance Berhad ("HLA"), Kumpulan Wang Persaraan (Diperbadankan), Citibank Berhad, UMW Holdings Berhad, EITA Resources Berhad, Eco World International Berhad, Sunway Construction Group Berhad, Radiant Globaltech Berhad and MainStreet Advisers Sdn. Bhd. He is also a member of the Land Public Transport Commission.

YBhg Dato' Siow is the Chairman of HLA Holdings Sdn Bhd ("HLAH") and was appointed to the Board of HLAH on 1 July 2015. He is also a member of the BARMC and NRC of HLAH.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Directors' Profile (cont'd)

MS LOH GUAT LAN

Group Managing Director/CEO/Non-Independent
Age 52, Female, Malaysian

Ms Loh Guat Lan holds a Bachelor of Science in Nutrition Science 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 HLAH on 1 September 2009.

Ms Loh is the Chairman of HL Assurance Pte Ltd and a Director of MSIG Insurance (Malaysia) Bhd, Hong Leong MSIG Takaful Berhad and Hong Leong Insurance (Asia) Limited.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Directors' Profile (cont'd)

MS LIM TAU KIEN

Non-Executive Director/Independent
Age 61, Female, Malaysian

Ms Lim Tau Kien graduated from the University of Glasgow Faculty of Law and is a member of the Institute of Chartered Accountants of Scotland.

She began her career with Ernst & Young, United Kingdom, before serving the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently joined the Royal Dutch Shell Group where she held various senior finance positions over a period of 25 years in Malaysia, Australia and China, her last position being the Country Chief Financial Officer/Finance Director/Country Controller of the Shell Companies of China from 2004 to 2008.

Ms Lim has been a director of listed and non-listed companies since 1997. She was appointed to the Board of HLAH on 1 July 2015 and is the Chairman of the BARMC and NRC of HLAH.

She is currently also a Director of Hong Leong Financial Group Berhad, Malaysian Pacific Industries Berhad and Hengyuan Refining Company Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad, and also of UEM Group Berhad, a public company.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Directors' Profile (cont'd)

MS KOID SWEE LIAN

Non-Executive Director/Independent
Age 59, Female, Malaysian

Ms Koid Swee Lian graduated in 1981 with a Bachelor of Laws (Honours) degree from the University of Malaya and was called to the Malaysian Bar as an Advocate & Solicitor in 1983.

Ms Koid was a career officer of Bank Negara Malaysia ("BNM") for more than 30 years until her retirement in 2013 and had held various senior positions including Deputy Director of Legal Department, Head of Financial Intelligence Unit and her last position with BNM being the Director of Consumer and Market Conduct Department.

Ms Koid had also served as the Head of Financial Intelligence Unit and was appointed as the inaugural Secretary to the National Coordinating Committee to Counter Money Laundering. During the period from 2006 to 2011, Ms Koid was the Director of Consumer and Market Conduct Department.

Ms Koid was a member of an international team of experts from the Financial Action Task Force and Asia Pacific Group on Anti-Money Laundering that conducted a joint mutual evaluation of the USA's AML regime in 2005 to 2006. She had collaborated with various national and international organisations such as the World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, Consultative Group to Assist the Poor, and Alliance for Financial Inclusion where Ms Koid was engaged to speak at various forums on AML/ATF, financial consumer protection and financial education.

From 2009 to 2011, Ms Koid was appointed by BNM to serve as a Board member of the Credit Counseling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK), BNM's wholly-owned subsidiary. She was seconded to AKPK in 2011 where she had led the agency in elevating adult consumers' financial literacy and eliminating their financial hardship with debt relief programmes.

Ms Koid is currently a board member of Deutsche Bank (Malaysia) Berhad. In addition, she was appointed by Securities Commission as a public interest director on the Board of the Federation of Investment Managers Malaysia (FIMM). She is also an Adviser for the Consumer Financial Education Initiative of the Financial Planning Association.

She was appointed to the Board of HLAH on 8 May 2017 and is a member of the BARMC and

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

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 2017, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, 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.

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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Directors' Training (cont'd)

During the FYE 2017, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- How Effective Boards Engage on Sucession Planning for the CEO and Top Management
- Clarification of Audit Rating Methodology
- The Cyber Security Threat and How Board Should Mitigate Risks
- Sustainability Forum For Directors/CEOs: The Velocity of Global Change & Sustainability
- ACCA Malaysia Sustainability Awards (MaSRA) 2016: Luncheon and Awards Presentation Ceremony
- Hong Leong Bank Sustainability Reporting: Awareness Session
- Breakfast Talk with Asian Corporate Governance Association (ACGA) : Corporate Governance (CG) Watch 2016 - Ecosystems Matter
- Update on Companies Act, 2016
- 4th Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Nomination and Remuneration Committee ("NRC")

The NRC was established on 21 February 2017.

The members of the NRC are as follows:

Ms Lim Tau Kien	(Chairman, Independent Non-Executive Director)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Independent Non-Executive Director)
Ms Koid Swee Lian	(Independent Non-Executive Director)
<i>(Appointed with effect from 8 May 2017)</i>	

The nomination responsibilities of NRC are as follows:

- (i) Support the Board in carrying out its functions in the following matters concerning the board, senior management and company secretary:
 - (a) appointments and removals;
 - (b) composition;
 - (c) performance evaluation and development; and
 - (d) fit and proper assessments.
- (ii) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- (iii) Review and recommend to the Board all Board appointments, re-appointments and removals including of the Chief Executive Officer.
- (iv) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
- (v) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.
- (vi) Review annually the term of office and performance of the BARMC and each of its members to determine whether the BARMC and its members have carried out their duties in accordance with the Terms of Reference of the BARMC.
- (vii) Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend if they are found ineffective, errant and negligent in discharging their responsibilities.
- (viii) Ensure that the Board receives an appropriate continuous training programme.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Nomination and Remuneration Committee ("NRC") (cont'd)

The remuneration responsibilities of NRC are as follows:

- (i) Recommend to the Board the framework and policies governing the remuneration of the:
 - Directors;
 - Chief Executive Officer;
 - Senior management officers; and
 - Other material risk takers.
- (ii) Review and recommend to the Board for approval the specific remuneration packages of executive directors and the Chief Executive Officer.
- (iii) Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.

There were no NRC meetings held during the financial year ended 30 June 2017.

Remuneration Policy

HLAH's rewards strategy is in alignment with the Hong Leong Group's total compensation philosophy which supports and promotes a high performing culture to deliver the company's vision to be a highly digital & innovative company. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The company's rewards framework focuses on a balanced and right pay mix to achieve the desired long term business performance. The framework includes base pay, cash allowances, performance based variable pay, sales incentive, long term incentives, benefits and other employee programs.

The rewards framework ensures that employees are paid competitively against the industry and talent market the company is operating in; delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.

Key performance indicators ("KPI") and key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the company.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board of Directors ("Board") (cont'd)

Nomination and Remuneration Committee ("NRC") (cont'd)

Compensation for Material Risk Takers

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

Deferred Compensation and Clawbacks

The deferred compensation is applicable to some of the incentive schemes introduced in the company. These are mostly for sales-type roles with built-in clawback mechanism. The clawback mechanism is introduced to ensure excessive risk taking behavior of staff is minimized and that the system does not induce excessive risk taking and sufficient control is in place. Periodic reviews are carried out to examine the effectiveness of the schemes in driving the right behaviors in achieving business goals and that there are no adverse risk elements in the approved schemes. The clawbacks mechanism is triggered when there are non-compliances to regulations and policies.

Procedure

The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at the Annual General Meeting.

Disclosure

The remuneration of the Directors is set out in Note 15(c) to the financial statements.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit

Board Audit and Risk Management Committee ("BARMC")

The BARMC was established on 21 February 2017.

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

Ms Lim Tau Kien	(Chairman, Independent Non-Executive Director)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Independent Non-Executive Director)
Ms Koid Swee Lian	(Independent Non-Executive Director)
<i>(Appointed with effect from 8 May 2017)</i>	

Terms of Reference

External Audit

- To make recommendations to the Board 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 auditors.
- 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 the Company and its subsidiaries ("the Group") 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 BARMC on significant matters.
- 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 Company's internal control framework.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

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.

Related Party/Connected Party Transactions

- To review and update the Board on any related party transactions that may arise within the Group.
- To monitor compliance with the Board's 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 in meeting the expectations on internal audit management as set out in BNM's policy document, "Guidelines on Internal Audit Function of Licensed
- 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 not only within the Company but also within the Group to undertake its activities independently and objectively.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

Internal Audit (cont'd)

- 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 and recommend for Board approval.
- Other audit functions as may be agreed to by the BARMC and the Board.

Risk Management

- To review management's activities in managing principal risks such as credit, market, liquidity, operational, compliance, insurance and IT risks and the risk management process.
- To review management's reporting to the Board on measures taken to:
 - a) Identify and examine principal risks faced by the Company.
 - 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's approval.
- To review management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite, Individual Target Capital Level ("ITCL") and Capital Management Plan for Board's approval.
- To review management's development and effective implementation of the ICAAP.
- To review management's stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
- To review management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing 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 the Group's risk taking activities.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

Risk Management (cont'd)

- To receive reports from pertinent management committee.
- To review management's implementation of risk management as set out in BNM's policy document on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.
- To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer.
- To engage privately with the Chief Risk Officer on a regular basis (and in any case at least twice annually) to provide the opportunity for the Chief Risk Officer to discuss issues faced by the risk management function.
- To review management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
- Other risk management functions as may be agreed to by the BARMC and the Board.

Compliance

- To assist the Board 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/Head of Compliance ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and independence;
 - c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
 - d) reviewing annually the effectiveness of the Company's 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 on all significant compliance matters, including providing its views on (a) to (d) above.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

Compliance (cont'd)

- In relation to the role of the CCO, support the Board 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 BARMC 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 BARMC and the Board.

During the financial year ended 30 June 2017, two (2) BARMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	2/2
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	2/2
Ms Koid Swee Lian (Appointed with effect from 8 May 2017)	2/2

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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Management Accountability (cont'd)

The Directors who hold office do not have any direct or indirect interest, which is in conflict with their duty or interest as Directors, as referred to in Section 58 of the Financial Services Act, 2013.

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 15 to the financial statements, in accordance with MFRS 124 Related Party Disclosures.

Internal Controls

The Board has overall responsibility for maintaining a system of internal financial controls and compliance with laws and regulations. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company. The process is periodically reviewed by the Board. The disclosure of the Company's risk management policies are set out under Note 16 in the financial statements.

The Company operates in a business environment that is subject to regulatory purview and operational compliance requirement and reporting. The Company secretaries and management keep the Board apprised of new laws and guidelines and changes thereof as well as new accounting standards to be adopted by the Company.

Financial reporting

The Board has overall oversight responsibility for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, the provision of the Companies Act, 2016 in Malaysia, the Financial Services Act, 2013 and relevant regulatory requirements.