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**HLA HOLDINGS SDN BHD (“HLAH” or “the Company”)  
- GROUP BOARD RISK MANAGEMENT COMMITTEE****Constitution**

The Group Board Risk Management Committee (“GBRMC”) of HLAH has been established since 13 December 2017.

The GBRMC is established to support the Board of Directors (“the Board”) in promoting the adoption of the sound corporate governance principles set out in BNM’s policy document on Corporate Governance, and oversee the following:

1. Management’s implementation of the Company’s governance framework and internal control framework/policies;
2. Management meets the expectations on risk management as set out in the policy document on Risk Governance; and
3. Management’s implementation of compliance risk management.

**Group Governance**

## 1. WHEREAS:

- 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 HLFG Group.
- c) HLFG’s risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation throughout HLFG Group.
- d) The respective subsidiary’s 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.

## THEREFORE:

2. HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group shall align the responsibilities set out in item 1 above for the following subsidiaries:
  - a) Hong Leong Assurance Berhad (“HLA”)
  - b) Hong Leong MSIG Takaful Berhad (“HLMT”)
  - c) Hong Leong Insurance (Asia) Limited
  - d) HL Assurance Pte. Ltd.

3. The GBRMC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFM level are fully consistent with the regulatory obligations and the prudential management of the Company and its subsidiaries and to check that the entity specific risks are adequately addressed in the implementation of Group-wide policies.

### **Composition**

The GBRMC shall –

- (a) have at least five directors;
- (b) comprise only non-executive directors, with a majority of them being independent directors;
- (c) be chaired by an independent director; and
- (d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the GBRMC.

### **Secretary**

The secretary to the GBRMC meetings is rotated among the Chief Risk Officer (“CRO”) and Chief Compliance Officer (“CCO”) of HLA and HLMT.

### **Terms of Reference**

#### **Risk Management**

1. The GBRMC shall review the management’s:
  - a) activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, operational risk, compliance risk, Shariah compliance risk (applicable to HLMT only), insurance risk as well as environmental, social and governance risk;
  - b) reports to the Boards of the Company and its subsidiaries on measures taken to:
    - identify and examine principal risks faced by the Company and its subsidiaries; and
    - implement appropriate systems and internal controls to manage these risks;
  - c) major risk management strategies, policies and risk tolerance, and where appropriate endorse and recommend the same for the approval of the respective Boards of the Company and its subsidiaries;
  - d) 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, and where appropriate endorse and recommend the same for the approval of the respective Boards of the Company and its subsidiaries;
  - e) development and effective implementation of the ICAAP;
  - f) periodic reports on risk appetite, risk exposure, risk portfolio composition and risk management activities;

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- g) internal controls and risk management process to ensure their adequacy and effectiveness;
  - h) risk management policies and frameworks in identifying, measuring, monitoring and controlling risk to ensure their adequacy and the extent to which these are operating effectively; and
  - i) implementation of risk management as set out in BNM's policy documents on Risk Governance, Approach to Regulating and Supervising Financial Groups, Corporate Governance, and in respect of HLMT, Shariah Governance.

2. The GBRMC shall:

- a) review risk management function's infrastructure, resources and systems and to ensure that the staff responsible for implementing risk management systems perform those duties independently of the Company and its subsidiaries' risk-taking activities;
- b) receive and review reports from pertinent management committees;
- c) review and advise on the appointment, remuneration, removal and redeployment of the CRO of HLA and HLMT;
- d) engage privately with each CRO on a regular basis (and in any case at least once annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function; and
- e) undertake such other risk management functions as may be agreed to by the GBRMC and the respective Boards of the Company and its subsidiaries.

### **Compliance**

- 1. The GBRMC shall assist the respective Boards of the Company and its subsidiaries in the oversight of the management of their compliance risk by:
  - a) reviewing compliance policies and overseeing the implementation of the same;
  - b) reviewing the establishment of the compliance function and the position of the CCOs of HLA and HLMT to ensure the compliance function and CCOs are provided with appropriate standing, authority and independence;
  - c) discussing and deliberating regularly the compliance issues of the Company and its subsidiaries and oversee that such issues are resolved effectively and expeditiously;
  - d) reviewing annually the effectiveness of the Company and its subsidiaries' overall management of compliance risk, having due regard to the assessments of their respective senior managements and internal audits, as well as their interactions with the CCOs; and
  - e) updating the respective Boards of the Company and its subsidiaries on all significant compliance matters, including providing its views on (a) to (d) above.

2. In relation to the role of the CCOs, support the respective Boards of the Company 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, termination and redeployment of the CCOs;
  - b) ensuring that the CCOs have sufficient stature to allow for effective engagement with the Group Managing Director/Chief Executive Officer ("GMD/CEO") or CEO, as the case may be, and other members of senior management;
  - c) engaging privately with each CCO on a regular basis (and in any case at least once annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function; and
  - d) ensuring that the CCOs are supported with sufficient resources, including competent officers, to perform his/her duties effectively.
3. Where a CCO also carries out responsibilities in respect of other control functions, the GBRMC must be satisfied they do not compromise the soundness of the overall control environment by the combination of responsibilities performed by the CCO.
4. The CCOs shall undertake such other compliance function as may be agreed to by the GBRMC as well as the respective Boards of the Company and its subsidiaries.

### **Authority**

1. The GBRMC is authorised by the Boards of the Company and its subsidiaries to:
  - review their activities within these Terms of Reference; and
  - seek such information as it may require from any Director or member of their managements, and all their employees are directed to co-operate with any request made by the GBRMC; and
  - obtain independent legal or other professional advice as it considers necessary.

### **Meetings**

1. The GBRMC shall meet at least six (6) times a year and such additional meetings as may be called at any time, as and when necessary.
2. The GMD/CEO, CEO, Chief Financial Officer, CRO, Chief Internal Auditor, CCO, Head of Insurance Audit and other senior management of the Company and its subsidiaries may be invited to attend the GBRMC meetings, whenever required.
3. Issues raised, discussions, deliberations, decisions and conclusions made at the GBRMC meetings are recorded in the minutes of the 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.

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4. A majority with at least one independent and non-executive director from each of the BNM regulated entities in the HLAH Group (i.e., the Company, HLA and HLMT) shall constitute a quorum.
  5. After each GBRMC meeting, it shall report and update the Boards of the Company, HLA and HLMT on significant issues and concerns discussed during the meeting and where appropriate, make the necessary recommendations to their respective Boards.

#### **Revision of the Terms of Reference**

Any revision or amendment to the Terms of Reference proposed by the management of the Company, HLA or HLMT, and where appropriate endorsed and recommended by the GBRMC, shall first be presented to their respective Board for approval. Upon the relevant Board's approval, the said revision or amendment shall form part of these Terms of Reference, which shall be considered duly revised or amended.