

**Malaysian Reinsurance Berhad
(Incorporated in Malaysia)**

Corporate governance disclosures (as referred to in the Directors' Report)

The Board of Directors ("Board") of Malaysian Reinsurance Berhad remains committed towards maintaining high standards of corporate governance throughout the Company and strives to continuously improve the effective application of the principles and best practices in conformity with Bank Negara Malaysia's ("BNM") Policy Document BNM/RH/PD 029-9 *Corporate Governance* ("CG PD") issued on 3 August 2016 and is continually enhancing the standards of the overall governance of the Company.

The Company's policy is to implement these principles and best practices and to uphold high standards of business integrity in all activities undertaken by the Company. This shall include a commitment to emulate good industry examples and to comply with guidelines and recommendations in the conduct of business activities within the Company.

Set out below is a statement on how the Company had applied the principles and complied with the Best Practices as prescribed under the CG PD during the financial year ended 31 March 2017.

Board Of Directors

The Board is responsible for the proper stewardship of the Company's resources, the achievement of the Company's objectives and good corporate citizenship. It discharges this responsibility by complying with all the relevant Acts and Regulations, including adopting the principles and best practices of the CG PD.

The Board retains full and effective control over the Company's affairs. This includes the responsibility to determine the Company's development and overall strategic direction. Key matters such as the approval of financial results, major capital expenditures, budgets, business plans and succession planning for top management, are reserved for the Board or its appointed committees to deal with.

The meetings of the Board are chaired by the Non-Executive Chairman, whose role is clearly separated from the role of the President & Chief Executive Officer ("PCEO"), who ensures that Board policies and decisions are implemented accordingly.

Board Composition

The Board comprises members with relevant expertise and experience drawn from business, financial and technical fronts which strengthened leadership and management.

The Board currently comprises eight (8) members of whom seven (7) members are Non-Executive Directors, including the Chairman. Five (5) of these members are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executive Directors and one (1) is a Non-Independent Executive Director (the PCEO).

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Board Composition (cont'd.)

As at the date of this report, the percentage of the Board composition is as follows:-

	Composition	Percentage
Executive Director (also the PCEO)	1/8	12.5%
Independent Non-Executive Directors ("INED")	5/8	62.5%
Non-Independent Non-Executive Directors ("NINED") (including the Chairman)	2/8	25.0%

By virtue of this composition, the Company is in compliance with the following paragraphs of the CG PD:

- (i) paragraph 11.3 which requires that the Chairman of the Board must not be an executive;
- (ii) paragraph 11.4 which requires that the Board not to have more than one executive director; and
- (ii) paragraph 11.6 which requires that the Board to have a majority of independent directors at all times.

Under the Company's Articles of Association, the number of Directors shall not be more than ten (10) and the Board currently comprises eight (8) Directors.

One (1) Non-independent Non-Executive Director, namely, P. Raveenderen and One (1) Independent Non-Executive Director, namely, Yusoff bin Yaacob had resigned from the Company with effect from 1 July 2016 and 1 January 2017, respectively. The Board had appointed two (2) new Independent Non-Executive Directors, namely, Datin Zaimah binti Zakaria and Arul Sothy Mylvaganam on 1 April 2016 and 1 July 2016, respectively.

The Directors bring to the Board, a wide range of knowledge and experience in relevant fields such as insurance/takaful and reinsurance/retakaful, accounting and finance, legal, economic, investment, international business, banking and business operations. Therefore, all Directors have the necessary depth to bring experience and judgment to bear on issues of strategy, performance, resources and ethical standards. The Board is of the opinion that its current composition and size constitute an effective Board for the Company.

Key information on each Director is set out under the sections 'Board of Directors' Profile' on pages 29 to 32.

Board Charter

The Board had formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set by the regulatory authorities. This Board Charter, if necessary, will be periodically reviewed, to incorporate updates and enhancements to the existing rules and regulations as and when necessary. The Board Charter is available on the Company's website at www.malaysian-re.com.my.

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Directors' Code Of Ethics

The Directors observe a code of ethics in accordance with the code of conduct expected of Directors of financial service providers.

The Chairman is primarily responsible for the effective conduct and workings of the Board. The Chairman leads the Board in the oversight of the Management and in setting strategic business plans, goal and key policies for the Company to ensure the sustainability of long-term returns.

Directors' Independence And Independent Non-Executive Directors

The Independent Directors play a pivotal role in corporate accountability and provide unbiased and independent views and judgment in relation to the Board's deliberation and decision-making process. This is reflected in their membership of the various Board Committees and attendance at meetings.

The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, an Independent Director of the Company is one who himself or any person linked to him is independent from Management, the substantial shareholders of the Company and/or any of its affiliates, and has no significant business or other contractual relationship with the Company or its affiliates within the last two years; and has not served for more than nine years on the Board. CG PD also provides for tenure limits of Independent Directors to generally not exceed nine years except under exceptional circumstances.

All the Independent Directors have demonstrated to the Board that they have exercised impartial and independent judgment while protecting the interests of the Company.

The Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationships with the Company (other than in situations permitted by the applicable regulations) in order that they remain truly capable of exercising independent judgment and act in the best interests of the Company and its shareholder. The Board is also satisfied that no individual or group of individuals dominate the decision making process of the Board to ensure a balanced and objective consideration of issues, thereby facilitating optimal decision-making.

Directors' Independence Policy

The Board has adopted a nine (9) year policy for the tenure of Independent Non-Executive Directors, which is implemented to ensure the continuous effective functioning of the Board.

The Board feels that the length of their service on the Board does not in any way interfere with their exercise of independent judgment and ability to act in the best interests of the Company.

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Directors' Independence Policy (cont'd.)

In assessing independence, the Board evaluates the following criteria:

- the ability to challenge the assumptions, beliefs or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision for the good of the Company;
- a willingness to stand-up and defend their own views, beliefs and opinions for the ultimate good of the Company; and
- an understanding of the Company's business activities in order to appropriately provide responses on the various strategic and technical issues brought before the Board.

Nonetheless, any re-appointment of Independent Non-Executive Director after he/she had served 9 years shall be subject to shareholders' approval at a general meeting.

Currently, one (1) Board member had served as Independent Directors for more than nine (9) years.

Appointments To The Board

The Board ensures that a formal and transparent nomination process for the appointment of Directors and Key Senior Management Officers be continuously maintained and improved pursuant to its nomination framework.

Individuals appointed to relevant senior positions and the Board have the appropriate fitness and propriety to discharge their prudential responsibilities during the course of their appointment.

The appointment of new Board members are considered and properly evaluated by the Nomination Committee ("NC"). New nominees for directors are assessed by the NC in accordance with the Company's Fit and Proper Policy. These assessments are carried out based on the declarations by each individual, the record of material academic/professional qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification. Upon completing this process, the Committee shall recommend the proposed appointment to the Board for its deliberation and approval. In making these recommendations, the NC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, as well as professionalism, integrity including financial integrity, competencies and other qualities, before recommending them to the Board for appointment. An interview session is always held between members of the NC and the candidate.

The NC and Board will devote sufficient time to review, deliberate and finalise the selection of Directors. In this aspect, the Company Secretary will ensure that all the necessary information is obtained and relevant legal and regulatory requirements are complied with. In this aspect, the Board is also guided by the Company's Fit and Proper Policy for Key Responsible Persons.

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Appointments To The Board (cont'd.)

The NC conducts a yearly assessment on the suitability of the present Directors under the abovementioned Fit and Proper Policy for Key Responsible Persons. The fit and proper assessment for the Directors includes self-declaration and vetting by the Company for the purpose of ensuring that they are suitable to continue serving as Directors of the Company. The following aspects would be considered by the Board in appointing/reappointing Directors:

- probity, personal integrity and reputation – the person must have key qualities such as honesty, independence of mind, integrity, diligence and fairness.
- competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.
- financial integrity – the person must have financial soundness and be able to manage their debts and financial affairs prudently.

The Chairman of the NC and at least two (2) other members conduct an interview session with the potential candidates and assess them based on their skills and experience, independence (as the case may be) and objectivity, sound judgement and other relevant perspectives.

The Board's expectations on the time commitment and contribution from the Directors will also be clearly communicated to the potential candidates. The NC will evaluate the candidates' ability to discharge their duties and responsibilities as well as appropriate time commitment prior to recommending their appointment as Directors for approval.

Pursuant to BNM's CG PD, the Company is required to make an application to BNM before the appointment of a Director.

During the year, the NC recommended the nomination of two (2) new Directors after considering their respective competency, experience and knowledge. The NC's proposal culminated in the Board's and subsequently BNM's approval for the following appointments:

- a. Datin Zaimah binti Zakaria as an INED on 1 April 2016. Based on her experience in Commercial, Investment and Islamic Banking, Datin Zaimah binti Zakaria provides relevant input in driving the Company forward.
- b. Arul Sothy Mylvaganam as an INED on 1 July 2016. Arul Sothy Mylvaganam is also a Director of MNRB Holdings Berhad. Based on his experience in accounting, audit and commercial sector, Arul Sothy Mylvaganam provides relevant input in driving the Company forward.

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Re-appointment And Re-election Of Directors

All Directors subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or in accordance with Article 84 of the Company's Articles of Association, where one-third (1/3rd) of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to one-third (1/3rd), shall retire from office at each Annual General Meeting ("AGM"). All retiring Directors can offer themselves for re-election.

Pursuant to BNM's Policy Document on Corporate Governance, the Company is required to apply to BNM for the re-appointment of its Directors at least three (3) months prior to the expiry of their terms of appointment as approved by BNM, should it wish to extend their appointments. Prior to such application, the relevant Directors will be assessed by the NC and the Board and they are required to give consent on their re-appointment prior to the recommendation being made.

In accordance with Article 84 of the Company's Articles of Association, Mustaffa Ahmad and Md Adnan Md Zain will be retiring at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors who are appointed by the Board during the financial period before the AGM are also required to retire from office and seek reelection by the shareholders at the first opportunity after their appointment.

The Articles of Association further provide that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

The Board had also performed the Annual Assessment on the Effectiveness of the Board and the individual Board members during the financial year. Its findings also form part of the Board's evaluation for the re-appointment of Directors. A summarised report on the assessment is tabled to the NC and the Board to identify and address areas for improvements.

Board And Individual Directors' Effectiveness

The Board members undertake a formal and transparent process, upon completion of every financial year, to assess the effectiveness of their fellow Directors, the Board as a whole and the performance of the Executive Director.

The Board and Individual Directors Evaluation is based on answers to a detailed questionnaire. The evaluation form is distributed to all Board members and covers topics which include, among others, the responsibilities of the Board in relation to strategic plan, fiscal oversight, risk management, Board composition and training needs.

Other areas which are assessed include the contribution of each and every member of the Board at meetings as well as meeting arrangements.

The Nomination Committee, having deliberated the findings of the Board and Individual Directors Evaluation, will report to the Board the results and highlight those matters that require further discussion and direction by the Board.

The Board members' directorship in companies other than the Company and the Company, are well within the restriction of not more than five (5) directorships in public listed companies as stated in the CG PD.

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Roles And Responsibilities Of The Chairman And PCEO

The roles and responsibilities of the Chairman and the PCEO are separated with a clear division of responsibilities as defined in the Board Charter. This distinction is to provide better understanding and distribution of jurisdictional responsibilities and accountabilities. The Chairman and the PCEO are not related to each other.

The Chairman leads the Board and is also responsible for its performance. Together with the rest of the Board members, the Chairman sets the policy framework and strategies to align the business activities driven by the Senior Management Team with the Company's vision and mission.

The PCEO is mainly accountable for the day-to-day management to ensure the smooth and effective running of the Company. He is also responsible for the implementation of policies and Board decisions as well as coordinating the development and implementation of business corporate strategies.

The PCEO also ensures that the financial management practice is at the highest level of integrity and transparency for the benefit of the shareholders and the affairs of the Company be performed in an ethical manner.

Board Meetings

The Board meeting dates for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and schedule these dates into their respective meeting schedules.

The Board has scheduled meetings at least six (6) times a year, besides the AGM. For the financial year ended 31 March 2017, the Board held seven (7) meetings.

Technology and information technology are effectively used in Board meetings and communications with the Board. Board meeting materials are shared electronically and where required, Directors may participate in meetings via video conference.

All Directors have complied with the requirement to attend at least seventy five percent (75%) of Board meetings held during the financial year ended 31 March 2017 as required under Paragraph 9.3 of the GC PD.

The details of attendance of the Directors at Board meetings held during the financial year are as follows:

Directors	Attendance	Percentage
Sharkawi bin Alis Chairman/Non-Independent Non-Executive Director	7/7	100%
Zainudin bin Ishak President & Chief Executive Officer Non-Independent Executive Director	7/7	100%

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Directors	Attendance	Percentage
Megat Dziauddin bin Megat Mahmud Independent Non-Executive Director	7/7	100%
Mohd Din bin Merican Non-Independent Non-Executive Director	7/7	100%
Mustaffa bin Ahmad Independent Non-Executive Director	7/7	100%
Md Adnan bin Md Zain Independent Non-Executive Director	7/7	100%
Datin Zaimah binti Zakaria (Appointed with effect from 1 April 2016) Independent Non-Executive Director	7/7	100%
Arul Sothy Mylvaganam (Appointed with effect from 1 July 2016) Independent Non-Executive Director	5/5	100%
P. Raveenderen (Resigned with effect from 1 July 2016) Non-Independent Non-Executive Director	2/2	100%
Yusoff bin Yaacob (Resigned with effect from 1 January 2017) Independent Non-Executive Director	4/4	100%

At each scheduled Board meeting, the financial and business review were discussed, including the Company's quarterly operating performance to date, against the annual budget and business plan previously approved by the Board for that year.

The respective Board Committee's reports and recommendations are also presented and discussed at Board meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly retained by the Company Secretary.

The Board delegates the day-to-day management of the Company's business to the Senior Management Team, but reserves for its consideration significant matters such as the following:

- Approval of financial results;
- Material acquisition and disposals of assets;
- Related party transactions of a material nature;

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Board Meetings (cont'd.)

- Authority levels for core functions of the Company;
- Corporate policies on investments (including the use of derivatives) and risk management;
- Outsourcing of core business functions;
- Policies and Procedures;
- Annual Budget; and
- Capital Management Plan.

Directors' Remuneration

(a) Remuneration Policy and Procedure

The Remuneration Committee recommends to the Board the appropriate remuneration packages for the Directors as well as Executive Director and the key senior officers in order to attract, motivate and retain the Directors, Executive Director and the key senior officers of the necessary caliber and quality as required by the Company. The remuneration packages for the Group Shariah Committee members are decided by the Board of MNRB. The Company's remuneration policy is to reward the Directors and the key senior officers competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, the Committee takes into account comparable roles in similar organisations that may be the same in size, market sector or business complexity.

The Executive Director does not participate in any way in determining his individual remuneration.

All Non-Executive Directors are paid Directors' fees, which are recommended by the Board and approved annually by the shareholders at the AGM.

The remuneration structure of Non-Executive Directors of the Company is as follows:

- Fees for duties as Director and as member of the various committees of the Board as well as additional fees for undertaking responsibilities as Chairman of the Board and the various Board Committees.
- Meeting allowance for each meeting attended.

The fees for Non-Executive Directors are recommended by the Board to the shareholders after deliberating the recommendations by the Remuneration Committee. The meeting allowance for all Non-Executive Directors is also determined by the Board.

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Directors' Remuneration (cont'd.)

(a) Remuneration Policy and Procedure (cont'd.)

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the financial year ended 31 March 2017 as that used in the previous financial year:

		Meeting attendance allowance RM	Annual fees RM
Board	Chairman	RM 1,250 for each meeting attended	80,000
	Member		70,000
Audit Committee	Chairman		22,000
	Member		17,000
Nomination Committee	Chairman		17,000
	Member		12,000
Remuneration Committee	Chairman		17,000
	Member		12,000
Risk Management Committee	Chairman		17,000
	Member		12,000
Investment Committee	Chairman	17,000	
	Member	12,000	

The details of the total remuneration of each Director of the Company during the financial year ended 31 March 2017 are disclosed in Note 12 of the Company's Audited Financial Statements. Fees for Non-executive Directors amounting to RM 0.8 million for the financial year ended 31 March 2017 will be approved at the forthcoming AGM of the Company. The fees were pro-rated based on joining/resignation date.

The remuneration of the Group Shariah Committee ("GSC") members are decided by the MNRB Board. The meeting attendance allowance and annual fees of the GSC members were shared equally with fellow subsidiaries of MNRB, Takaful Ikhlas Berhad ("TIB") and MNRB Retakaful Berhad ("MRT"). The details of the Company's share of the total remuneration of each member of the GSC during the financial year ended 31 March 2017 are disclosed in Note 12 of the Company's Audited Financial Statements.

(b) Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

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Remuneration Policy in respect of the PCEO and Board Appointees of the Company

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel.

The remuneration of the PCEO and the Board Appointees of the Company are reviewed annually by the Remuneration Committee.

The basic component of the remuneration package comprises a monthly basic salary. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Remuneration Committee and the Board. Such components comprise a performance-based variable bonus, which are generally paid/awarded once a year. PCEO and the Board Appointees are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

Staff engaged in all control functions including Actuarial and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

In such annual remuneration reviews, the Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration commensurate with individual performance and contribution. The Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be finalised over short periods when risks are realised over long periods.

The annual budget for salary increment, performance-related variable bonus, is submitted to the Board for approval. The competitiveness of the Company's compensation structure is reviewed annually relative to a peer group of companies that is considered to be relevant for compensation purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

The Company will include the processes described above in the remuneration policy to be approved by the Board in the next financial year. The remuneration policy, when approved, would be subject to periodic board review, including when material changes are made to the policy.

The Company's variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

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Remuneration Policy in respect of the PCEO and Board Appointees of the Company

The total value of remuneration for the Board appointees for the financial year are as follows:

	Unrestricted RM '000	Deferred RM '000	Remark
Fixed remuneration:			
- Cash-based	849	-	Salaries, allowance and EPF
- Other	45	-	Benefits-in-kind
Variable remuneration:			
- Cash-based	281	-	Bonus and EPF on bonus
- Other	-	-	

Supply Of Information

All Directors have full and unrestricted access to all information pertaining to the Company's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

Prior to Board meetings, every Director receives a notice of meeting, the agenda and Board papers. Sufficient time is given to the Directors to enable them to obtain further explanations, where necessary, so that there will be full participation by Directors at the meeting. The Board papers include the following:

- Reports by the various Board Committees on issues deliberated at the respective Board Committee meetings;
- Financial Statements Report on the Company's performance; and
- Compliance reports.

Proper guidelines have been given by the Board pertaining to the content, presentation style and delivery of papers to the Board for each Board meeting to ensure adequate information is disseminated to the Directors.

All Directors have direct access to the members of the Senior Management Team and the services of the Company Secretary to enable them to discharge their duties effectively.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

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Supply Of Information (cont'd.)

The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company's expense.

Throughout their period in office, Directors are updated on the Company's business, the competitive and regulatory environments in which it operates and other changes by way of written briefings and meetings with the Senior Management staff.

Conflict Of Interest

Directors are required to declare their respective shareholdings in the Company and related companies and their interests in any contracts with the Company or any of its related companies. Directors are also required to declare their directorships in other companies and shall abstain from any discussions and decision-making in relation to these companies.

All disclosures by the Directors are properly retained by the Company Secretaries.

Directors' Training

The Company acknowledges that continuous education is vital for the Board members to gain insight into the regulatory updates and market developments to enhance the Directors' skills and knowledge in discharging their responsibilities.

All new Directors are required to undergo an induction programme whereby they receive information about the Company, the formal statement of the Board's role, the powers that have been delegated to the Company's Senior Management and Management committees as well as the latest financial information about the Company. This is to enable them to contribute effectively from the outset of their appointment.

During the financial year, all Directors attended various seminars and programmes to strengthen their skills set and knowledge in order to effectively discharge their responsibilities, as well as to acquire sound understanding of current issues and developments in the financial and business environment.

The Company Secretary facilitates the organization of internal training programmes and the Directors' participation in external programmes. The Company Secretary keeps a complete record of the training received or attended by the Directors.

During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following:

- Board Chairman Series Part 2: "Leadership Excellence From the Chair"
- How Effective Boards Engage on Succession Planning for the CEO and Top Management
- 28th EAIC Conference – "The Future of Insurance – Customer Centricity"

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Directors' Training (cont'd.)

- 22nd Indonesia Rendezvous 2016 – “Post Regulation Dynamic Repositioning in Indonesia Insurance Business”
- The Takaful Rendezvous 2016 – “Getting Ready for Disruptive Innovation in Takaful”
- Briefing on PNB Strategic Plan 2017 – 2022 – “ Building A Distinctive World Class Investment House”
- Training on IFRS 17 and MFRS 9
- FIDE Elective Programme: Internal Capital Adequacy Assessment Process (ICAAP) – Insurance
- Independent Directors Programme: The Essence of Independence
- Financial Technology (FINTECH)
- Financial Institutions Directors' Education (FIDE) Programme – Module A (Insurance)

Board Committees

The Board has delegated specific responsibilities to five (5) Board Committees, as follows:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee;
- Risk Management Committee; and
- Investment Committee.

These Board Committees have their respective Terms of Reference, which clearly define their duties and obligations in assisting and supporting the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

(i) Audit Committee

The Audit Committee comprises four (4) Independent Non-Executive Directors. Two (2) members of the Committee are qualified accountants and members of the Malaysian Institute of Accountants ("MIA") including the Chairman of the Committee.

The term of office shall be reviewed annually.

The Committee is authorised by the Board to undertake any activity within its terms of reference and must have unlimited access to all information and documents relevant to its activities, to both the internal and external auditors, as well as to all employees of the Company.

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Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

It must be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

It must also have the authority to obtain independent legal or other professional advice as it considers necessary.

The Audit Committee's terms of reference include the review and deliberation of the Company's financial statements, the findings of the External and Internal Auditors, compliance-related matters, any related party transactions and any conflict of interest situations within the Company, as well as recommending the appointment/re-appointment of External Auditors.

During the financial year, four (4) Audit Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Megat Dziauddin bin Megat Mahmud	4/4	100.0%
<u>Members</u>		
Mustaffa bin Ahmad	4/4	100.0%
Datin Zaimah binti Zakaria (Appointed with effect from 1 April 2016)	4/4	100.0%
Arul Sothy Mylvaganam (Appointed with effect from 1 July 2016)	3/3	100.0%
P. Raveenderen (Resigned with effect from 1 July 2016)	1/1	100.0%

The main activities that took place during the meetings were:

- Reviewed the quarterly results and year-end financial statements prior to approval by the Board;
- Reviewed the disclosures in the audited financial statements to be in compliance with regulatory requirements;
- Deliberated on significant matters raised by the external auditors including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and received progress updates from Management on actions taken for improvements;
- Deliberated on and recommended to the Board, the adoption of new Malaysian Financial Reporting Standards ("MFRS") and Amendments / Annual Improvements to MFRSs that are effective for the financial year ended 31 March 2017;

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Board Committees (cont'd.)

(i) Audit Committee (cont'd.)

- Evaluated the performance and recommended to the Board, the appointment and remuneration of the external auditors for the financial year ended 31 March 2017;
- Reviewed the external auditors' audit plan for the year ended 31 March 2017;
- Reviewed the external auditors' management letter and Management's response thereto. Meeting without the presence of the Management were also held with the external auditors on 17 May 2016 and 16 November 2016 respectively. Matters discussed during these meetings include key reservations noted by the external auditors during the course of their annual audit;
- Reviewed and recommended to the Board, the provision of non-audit services by the external auditors i.e. tax advisory services and the development of valuation model for the Company's investment in a reinsurance associate;
- Reviewed the Related Party Transactions as entered into by the Company on a periodic basis, including understanding the relationship of the transacting parties, the nature of these parties' business, the nature and timing of transactions and comparing the terms of the transactions with other third party transactions;
- Reviewed the Internal Audit Department's annual audit plan for the year ended 31 March 2017 and for the year ending 31 March 2018;
- Reviewed the results of the internal audit reports for the Company on the adequacy and effectiveness of governance, risk management and compliance process; and
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised including status of completion achieved.

(ii) Nomination Committee

The Board's Nomination Committee ("NC") was established to support and advise the Board of Directors in fulfilling its responsibilities to ensure the Board and the key management personnel of the Company comprise individuals with the appropriate mix of qualifications, skills and experience.

The NC comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Directors.

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Board Committees (cont'd.)

(ii) Nomination Committee (cont'd.)

During the financial year, four (4) Nomination Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Mustaffa bin Ahmad	4/4	100.0%
<u>Members</u>		
Sharkawi bin Alis	4/4	100.0%
Md Adnan bin Md Zain	4/4	100.0%
Arul Sothy Mylvaganam (Appointed with effect from 1 July 2016)	3/3	100.0%
P. Raveenderen (Resigned with effect from 1 July 2016)	1/1	100.0%
Yusoff bin Yaacob (Resigned with effect from 1 January 2017)	3/3	100.0%

The PCEO is invited to attend the meetings to furnish the NC with the necessary information and clarification to relevant items on the agenda.

All the proceedings at NC meetings are duly recorded in the minutes. The Company Secretaries ensure that the minutes are signed by the Chairman and entered into the minutes book.

The Chairman of the NC updates the Board on matters that have been deliberated and considered.

The NC is vested with such power and authority, specific or general, as may from time to time be delegated upon by the Board. The NC can obtain resources which it requires, including but not limited to, obtaining expert advice, both internal and external, and to have full and unrestricted access to information to enable the NC to fulfil its objectives.

The duties and responsibilities of the NC are summarised as follows:

- To oversee the overall composition of the Board, in terms of the appropriate size, knowledge, experience, skills, gender and the balance between Non-Independent Non-Executive Directors and Independent Non-Executive Directors;
- To assess and recommend to the Board competent persons of integrity with strong sense of professionalism for appointment as:
 - Directors;
 - President & CEO;
 - Board Appointee; and
 - Company Secretary.

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Board Committees (cont'd.)

(ii) Nomination Committee (cont'd.)

- To assess and recommend to the Board the appointment and reappointments of Directors and the President & CEO and the succession planning for them;
- To assess the independence of Independent Directors based on their objective judgement to board deliberations;
- To recommend to the Board the removal of a Director/ President & CEO from the Board/Management if the Director/ President & CEO is ineffective, errant and negligent in discharging his/her responsibilities;
- To review the results of the Directors' Annual evaluation and assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board and the performance of the President & CEO;
- To perform all obligations required to be undertaken by the NC under the Company's Fit & Proper Policy and Procedure ("Fit & Proper Policy") which includes, among others, as follows:
 - To review the Fit & Proper policy once a year to ensure their relevance and alignment with material changes in the business and risk profile and strategies of the Company; and
 - To review the list of Key Responsible Persons (as defined in the Fit & Proper Policy) for the Company and be satisfied that the list is comprehensive and has taken into account all key positions.
- In determining the process for the identification of suitable candidates, NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:
 - Skills, knowledge, expertise and experience;
 - Professionalism;
 - Integrity;
 - Existing number of directorships held; and
 - Fit and Proper.

NC shall, where required, engage directly with the candidates to ascertain their suitability for the position.

- To recommend to the Board the re-election/ re-appointment of Director to the Board pursuant to the provisions in the Company's Articles of Association;
- To oversee the Company's management succession planning; and
- To recommend training programmes to facilitate the Directors in the discharge of their duties and to keep abreast with industry developments and trends.

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Board Committees (cont'd.)

(ii) Nomination Committee (cont'd.)

The Committee's objectives are to establish a documented formal and transparent procedure for the appointment of Directors and key senior officers as well as to assess the effectiveness of Directors, the Board as a whole and the various Committees of the Board on an ongoing basis. The Committee regularly reviews the profile of the required mix of skills and attributes of the Directors and is satisfied that the Board has the appropriate balance of expertise and ability to discharge its responsibilities. All assessments and evaluations carried out by the Committee are properly documented and kept by the Company Secretary.

The Committee, following its recent annual assessment review, is satisfied that the size of the Board is optimum and that there is the appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board. The Committee is satisfied that all the members of the Board are suitably qualified to hold their positions as Directors in view of their respective academic and professional qualifications, experience, knowledge and personal qualities.

The Directors are able to devote full commitment to their roles and responsibilities as Directors of the Company, as no Director holds more than five (5) directorships in other public listed companies.

In accordance with prescribed Corporate Governance best practices, the Nomination Committee undertook these key activities during the financial year:

- Assessed the performance of key Senior Management staff prior to the renewal of their contracts;
- Assessed and made recommendations on the re-election of Directors retiring by rotation at the AGM;
- Reviewed the results of the Annual Assessment on the Effectiveness of the Board and the Individual Board members, including the assessment on the independence of the Independent Directors;
- Assessed the training needs of the Directors and ensured that the necessary training was being provided by the Company;
- Assessed the Directors and key Senior Management compliance with the fit and proper criteria approved by the Board which are consistent with the Financial Services Act, 2013 and the Policy Document on Fit and Proper Criteria;
- Assessed and made recommendations on the appointment of new Director; and
- Training required by Board members.

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Board Committees (cont'd.)

(iii) Remuneration Committee

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

The Committee's primary objective is to establish a formal and transparent procedure for developing a remuneration policy for Directors, Executive Directors and key senior officers and to ensure that their compensation is competitive and consistent with the Company's culture, objectives and strategies. Additionally, the Committee is also responsible for recommending to the Board the specific remuneration packages for Directors, Executive Directors and key senior officers to ensure that they commensurate with the scope of responsibilities held, and as well as to review and recommend changes to the Board whenever necessary.

The Board as a whole will determine the remuneration of the Non-Executive Directors. Each individual Director will abstain from the Board discussion and decision on his own remuneration.

During the year, the Remuneration Committee had reviewed and deliberated the following matters:

- The performance of the Balanced Scorecard ("BSC")/Key Performance Indicators ("KPI") for the bonus and performance of staff;
- The proposed BSC/KPI and linkages to annual increment and bonus;
- Directors' Fees and Directors' meeting allowance; and
- Renewal of Contract for President and CEO.

During the financial year, five (5) Remuneration Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Megat Dziauddin bin Megat Mahmud	5/5	100.0%
<u>Members</u>		
Mohd Din bin Merican	5/5	100.0%
Arul Sothy Mylvaganam (Appointed with effect from 12 January 2017)	2/2	100.0%
Yusoff bin Yaacob (Resigned with effect from 1 January 2017)	3/3	100.0%

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Board Committees (cont'd.)

(iv) Risk Management Committee of the Board ("RMCB")

The Board believes that an effective Risk Management Framework is essential for the Group in its quest to achieve its corporate objectives, continued profitability and enhancement of shareholders' value in today's rapidly changing market environment.

With this in mind, the Board had established a dedicated RMCB which oversees the implementation of an enterprise-wide risk management framework.

The RMCB comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Directors.

The Committee is responsible for:

- Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
- Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- Ensuring adequate infrastructure, resources and systems are in place for effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities; and
- Reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

During the financial year, five (5) Risk Management Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Datin Zaimah binti Zakaria (Appointed as a member with effect from 1 April 2016 and redesignated as Chairman with effect from 12 January 2017)	5/5	100.0%
Yusoff bin Yaacob (Resigned with effect from 1 January 2017)	3/3	100.0%
<u>Members</u>		
Mohd Din bin Merican	5/5	100.0%
Mustaffa bin Ahmad	5/5	100.0%
Md Adnan Md Zain (Appointed with effect from 30 May 2016)	4/4	100.0%
P. Raveenderen (Resigned with effect from 1 July 2016)	1/1	100.0%

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Board Committees (cont'd.)

(v) Investment Committee

The Investment Committee comprises three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Non-Independent Executive Director.

This Committee oversees, guides and monitors the investment operations of the Company as well as approves recommended investment related transactions. The Committee is also responsible to note and approve specific transactions of a nature that, by regulation, requires awareness of and sanctioning by the Board.

During the financial year, four (4) Investment Committee meetings were held. Details of the Committee members' attendance at the meetings held during the financial year are as follows:

	Attendance	Percentage
<u>Chairman</u>		
Md Adnan bin Md Zain	4/4	100.0%
<u>Members</u>		
Megat Dziauddin bin Megat Mahmud	4/4	100.0%
Mohd Din bin Merican	4/4	100.0%
Zainudin bin Ishak	4/4	100.0%
Datin Zaimah binti Zakaria (Appointed with effect from 1 April 2016)	4/4	100.0%

Group Shariah Committee

The Company is advised by the Group Shariah Committee of MNRB Holdings Berhad ("GSC") which performs an oversight role on Shariah matters related to the Company's Retakaful Division business operations and activities. This is achieved through the Shariah review and the Shariah audit functions. This establishment is in compliance with BNM's Shariah Governance Framework for Islamic Financial Institutions, the Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions ("BNM Shariah Guidelines"), and Islamic Financial Services Act, 2013 ("IFSA 2013").

The GSC must consist of a minimum of five (5) members. The majority of members shall at least hold a bachelor's degree in Shariah, which includes study in Usul Fiqh (the origin of Islamic law) or Fiqh Muamalat (Islamic transaction/commercial law) from a recognised university.

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Group Shariah Committee (cont'd.)

The GSC plays a significant role in assisting the Board of Director in making decision on policies, operations and others relating to Shariah compliance of its Retakaful Division. The main duties and responsibilities of the GSC are as follows:

- Advise the Board and the Management on Shariah matters, where necessary.
- Endorsement of Shariah policies and procedures prepared by the Management and to ensure that the contents do not contain any elements that are not compliant to and/or consistent with Shariah.
- Assessment of Shariah review and Shariah audit functions in order to ensure compliance with Shariah, it being part of its responsibility in providing opinion on Shariah compliance and in providing the assurance statement in the Company's Audited Financial Statements.
- Advise on matters to be referred to the Shariah Advisory Council ("SAC") of BNM, where necessary.

A total of 8 (eight) GSC meetings were held during the financial year. Details of the GSC members' attendance at the meetings held during the financial year were as follows:

	Attendance	Percentage
<u>Chairman</u>		
Prof. Dato' Dr. Ahmad Hidayat Buang	8/8	100.0%
<u>Members</u>		
Datuk Nik Moustpha Nik Hassan	7/8	87.5%
Dr. Syed Musa bin Syed Jaafar Alhabshi	6/8	75.0%
Dr. Said Bouheraoua	7/8	87.5%
Dr. Muhammad Naim Omar	7/8	87.5%
Dr. Mohamed Fairouz Abdul Khir	7/8	87.5%
Ir. Dr. Muhamad Fuad bin Abdullah (Resigned with effect from 1 April 2017)	8/8	100.0%

Key information on each GSC member is set out under the section 'Group Shariah Committees Members Profile' on pages 33 to 34.

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**Malaysian Reinsurance Berhad
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Board Of Directors' Profile

Sharkawi bin Alis, Chairman

Aged seventy (70), male, Malaysian. Non-Independent Non-Executive Director since 31 March 2005 and was subsequently appointed as Non-Independent Non-Executive Chairman on 3 September 2007. Member of the Nomination Committee. He is a Barrister-at-Law from Middle Temple, London where he was called to Bar in 1971. He served in the Malaysian Judicial and Legal Service in various capacities for eleven (11) years before he was appointed as Group Legal Adviser of Malaysia Mining Corporation Berhad in August 1982. In January 1997, he joined the Securities Commission, Malaysia as Director of Market Supervision and subsequently as Director of Corporate Resources Division till March 2003. Also Chairman of MNRB Holdings Berhad ("MNRB"), MNRB Retakaful Berhad ("MRT"), Takaful Ikhlas Berhad ("TIB"), Labuan Reinsurance (L) Ltd ("Labuan Re") and Malaysian Re (Dubai) Ltd ("MRDL"), a Director of MIDF Property Berhad, Permodalan Satok Berhad, Perbadanan Pembangunan Ekonomi Sarawak ("SEDC") and Motordata Research Consortium Sdn. Bhd. ("MRC"). He is also a trustee for Yayasan Hartanah Bumiputera Sarawak. Not related to any Director and/or major shareholder of the Company except by virtue of being a nominee Director of MNRB. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

Zainudin bin Ishak, President and Chief Executive Officer

Aged forty-nine (49), male, Malaysian. Non-Independent Executive Director since 1 April 2015. Member of the Investment Committee. An Associate member of Malaysian Insurance (AMII) since 1994. He started his career as Executive at Trust International Insurance Sdn Bhd in 1989. He joined Commerce Assurance Berhad (now CIMB Aviva Takaful Berhad) in 1994 and appointed CEO in 2006. In 2009, he then joined HSBC Amanah Takaful Berhad as Executive Director & Chief Executive Officer. He served as Chairman of Malaysian Takaful Association until early 2015. Also a Director of MRDL, Financial Park (Labuan) Sdn Bhd and MMIP Services Sdn Bhd. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

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Board Of Directors' Profile (cont'd.)

Megat Dziauddin bin Megat Mahmud

Aged seventy-one (71), male, Malaysian. Independent Non-Executive Director since 24 August 2006. Independent Non-Executive Director since 24 August 2006. Chairman of the Remuneration Committee and the Audit Committee. Member of the Investment Committee and the Nomination Committee. He obtained a Bachelor of Science (Econs.) (Hons.) degree from the Queen's University of Belfast, Northern Ireland and is a Fellow of the Institute of Chartered Accountants in Ireland as well as a Chartered Accountant with the Malaysian Institute of Accountants. He had served Golden Hope Plantations Berhad as Group Director, Finance, Arab-Malaysian Merchant Bank, first as General Manager - Operations and later as General Manager - Investment, Bank Simpanan Nasional as Finance Manager and the Accountant-General's Department as Treasury Accountant. Director of MNRB, TIB, MRT and another private limited company. Not related to any Director and/or shareholder of the Company. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

Mohd Din bin Merican

Aged fifty-five (55), male, Malaysian, Non-Independent Non-Executive Director since 2 March 2012. Member of the Investment Committee, the Risk Management Committee of the Board and the Remuneration Committee. Obtained a Bachelor of Commerce (Honours) degree from Carleton University, Ottawa, Canada. He is an Associate of The Malaysian Insurance Institute (AMII) since 1991. He has more than thirty (30) years' experience in the insurance industry and has held key management positions in various insurance, insurance broking and reinsurance firms including being the Principal Officer & General Manager of SCOR Switzerland Ltd (Converium Ltd), Labuan Branch. Currently the President & Group Chief Executive Officer of MNRB. Prior to joining MNRB, he was the Chief Operating Officer of Mayban Ageas Holdings Berhad and the Chief Executive Officer of Etiqa Insurance Berhad. Formerly a member of Management Committee of Persatuan Insurans Am Malaysia, National Insurance Association of Malaysia and President of Life Insurance Association of Malaysia. Also a Director of MNRB, MRT, TIB, Labuan Re, MRDL and MRC. Not related to any Director and/or major shareholder of the Company. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

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Board Of Directors' Profile (cont'd.)

Mustaffa bin Ahmad

Aged sixty-one (61), male, Malaysian. Independent Non-Executive Director since 1 June 2015. Chairman of the Nomination Committee. Member of the Audit Committee and the Risk Management Committee. He graduated with a Bachelor of Science (Honours) degree in Statistics from the Heriot-Watt University, Edinburgh, Scotland in 1978. He had worked for several insurance companies since 1978 and then joined Malaysian National Reinsurance Berhad as Senior Manager in 1989. He assumed various other roles whilst he was in Malaysian National Reinsurance Berhad. Following the MNRB Group restructuring exercise in 2005, he was transferred to Malaysian Reinsurance Berhad and was appointed the Chief Operating Officer until 2010. He currently sits as Director in MNRB and Amanah International Finance Sdn Bhd. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

Md Adnan bin Md Zain

Aged fifty-nine (59), male, Malaysian. Independent Non-Executive Director since 1 April 2016. Chairman of the Risk Management Committee. Member of the Audit Committee and the Nomination Committee. Obtained a Bachelor of Economics from University Putra Malaysia and is a Registered Financial Planner from Malaysian Financial Planning Council. He began his career in the banking industry with Standard Chartered Bank in 1981 where he served in various senior positions including as the Regional Manager and the Head, Global Electronic Banking reporting directly to the Group Head Office in London. He had also served in senior positions at three local banks namely Hong Leong Bank, Alliance Investment Bank and RHB Bank. He was appointed as the CEO of MCIS Zurich Insurance Berhad in 2006 and was elected as President of Life Insurance Association of Malaysia for (2) terms in 2009/2010 and 2010/2011. He was the Chairman of Malaysian Life Reinsurance Berhad and currently a Director of TIB, Kuwait Finance House (Malaysia) Berhad, Kuwait Finance House (Labuan) Berhad, Financial Accreditation Agency Berhad and two (2) other private limited companies. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

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Board Of Directors' Profile (cont'd.)

Datin Zaimah binti Zakaria

Aged fifty-eight (58), Malaysian. Independent Non-Executive Director since 1 April 2016. Chairman of the Risk Management Committee. Member of the Audit Committee and Investment Committee. She obtained a Bachelor of Science (Agribusiness) degree from Universiti Putra Malaysia, Serdang in 1981, and in 2003, she obtained a Masters of Business Administration (Finance) from International Islamic University, Malaysia, Gombak. She started her career in Bank Bumiputra (Malaysia) Berhad as an Accountant and had since served in various divisions of three (3) other banks prior to her appointment as the Executive Vice President, Head of Group Strategic Business and Regional Integration as well as Group Treasury and Global Markets of RHB Bank Berhad in 2008. She had also been a Director of Labuan Reinsurance (L) Ltd representing the RHB Banking Group. She has accumulated more than thirty (30) years of experience in Commercial, Investment and Islamic Banking. Her field of expertise include treasury management, capital and money market investments, funding and liquidity management, and also strategic planning. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended all the seven (7) Board Meetings held in the financial year.

Arul Sothy Mylvaganam

Aged sixty (60), male, Malaysian. Independent Non-Executive Director since 1 July 2016. Member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom. Also a Chartered Accountant with the Malaysian Institute of Accountants, a Fellow of the Institute of Certified Public Accountants, Australia and Certified Financial Planner of the Financial Planning Association of Malaysia. He completed his articleship in London and gained commercial experience in other United Kingdom companies. He had also served in Ernst & Young as Senior Manager of Audit before being appointed as the General Manager and Chief Financial Officer of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd. Thereafter, he was appointed as the Group Chief Operating Officer of PNB Commercial Sdn Bhd, as a subsidiary of Permodalan Nasional Berhad before he commenced his own financial consultancy practice. Does not have any conflict of interest with the Company and has never been convicted for any offence, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years. Attended five (5) Board Meetings held in the financial year.

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Group Shariah Committee Members Profile

Prof. Dato' Dr. Ahmad Hidayat Buang

Aged fifty-five (55), male, Malaysian. Appointed as the Group Shariah Committee Chairman on 2 November 2015. Shariah Committee member for Takaful IKHLAS since 2002 and was subsequently appointed as the Shariah Committee Chairman for Takaful IKHLAS since 2013 until its dissolution on 2 November 2015. Professor of the Academy of Islamic Studies at University of Malaya. Previously, he was a Director for the Academy of Islamic Studies from October 2006 until February 2011. Holds a Bachelor in Shariah from the University of Malaya. Completed his Master in Law and Doctorate from University of London (specialising in Islamic Contracts). Former member of OCBC Al-Amin Bank Berhad and CIMB Islamic Bank Berhad's Shariah Council. He is now a Chairman for Bank Islam Malaysia Berhad's Shariah Supervisory Council.

Datuk Nik Moustpha Nik Hassan

Aged sixty-four (64), male, Malaysian. Appointed as the Group Shariah Committee member on 2 November 2015. Shariah Committee member for TIB since December 2002 and also Shariah Committee member for MRT since April 2012 until its dissolution on 2 November 2015. He is also a Director of TIB. He studied Business and Economics at Ohio University, United States of America. He was the Director General of IKIM from August 2009 until August 2015. Prior to joining IKIM, he was the Dean of Kulliyah Economics at the International Islamic University of Malaysia. In 1989, he used to serve as visiting Scholar at Oxford Centre for Islamic Studies, United Kingdom for one (1) academic year.

Dr. Syed Musa Syed Jaafar Alhabshi

Aged fifty-seven (57), male, Malaysian. Appointed as the Group Shariah Committee member on 2 November 2015. Shariah Committee member for MRT since 1 June 2011 until 2 November 2015. Shariah Committee member for Takaful IKHLAS since September 2012 until August 2015. He is also a Director of MRT. He currently sits on the Shariah Committee of Bank of Tokyo - Mitsubishi UFJ (Malaysia) Berhad as well as Shariah committee member of SAC LOFSA. Obtained his Diploma in Business Studies from Ngee Ann Polytechnic, Singapore in 1984, a Bachelor of Business Administration (Hons.). Degree from the IIUM in 1989 and a Doctorate in Business Administration majoring in Accounting and Finance from University of Strathclyde, Glasgow, United Kingdom in 1994. He began his career with Coopers & Lybrand, Singapore as an Audit Assistant in 1984. From 1989 until 1994, he joined IIUM as an Assistant Lecturer and upon completion of his doctorate he became an Assistant Professor and held various academic administrative positions in IIUM till 2000. He joined Universiti Tun Abdul Razak in 2000 as an Associate Professor and became Head of Centre for Graduate Studies. He later served as Dean of Faculty of Business in 2004. In 2006, he joined Amanie Business Solutions Sdn Bhd as a Principal Consultant until 2009 and as a Fellow Consultant from 2010 to 2012. In 2009, he resumed his academic career as Associate Professor with Universiti Tun Abdul Razak and appointed Dean of Graduate School of Business in 2010. Since October 2012, he is the Associate Professor of Institute of Islamic Banking and Finance ("IiIBF"). Currently, he is Dean of IiIBF, IIUM.

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Group Shariah Committee Members Profile (cont'd.)

Assoc. Prof. Dr. Said Bouheraoua

Aged fifty (50), male, Algerian. Appointed as the Group Shariah Committee member on 2 November 2015. Shariah Committee member for MRT since 1 April 2011 until its dissolution on 2 November 2015. Obtained his Ph.D in Islamic Law (Shariah) from the International Islamic University Malaysia ("IIUM") in 2002. He was an Associate Professor at Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM. He is currently a Director of Research Affairs Department at the International Shariah Research Academy for Islamic Finance ("ISRA") and the editor-in-chief of ISRA International Journal of Islamic Finance. Dr Said is also appointed as an Independent Non-Executive Director of Affin Islamic Bank, Chairman of Shariah Committee of Affin Islamic Bank, and a member of higher Shariah committee of the Central Bank of the Oman Sultanate. Dr. Said has throughout his career as Lecturer/Researcher published several books and articles in international referred journals. He has also presented papers in international conferences and conducted training sessions in Islamic finance in Malaysia and abroad.

Dr. Mohamed Fairouz Abdul Khir

Aged forty-one (41), male, Malaysian. Appointed as the Group Shariah Committee member on 2 November 2015. Shariah Committee member for MRT since April 2013 and also Shariah Committee member of TIB since April 2014 until its dissolution on 2 November 2015. Holds a B.A in Islamic Revealed Knowledge and Human Sciences (Fiqh & Usul Fiqh) from IIUM in 2000. Obtained his M.A in Shariah from University of Malaya, Kuala Lumpur, Malaysia in 2005 and completed his Ph.D in Islamic Finance from the same university in 2011. He started his career with IIUM Centre for Foundation Studies since 2002 as a lecturer in the department of Islamic Revealed Knowledge and Human Sciences. After eight (8) years in services, he resumed his career path as a Researcher at ISRA and currently he is an Associate Professor at Islamic University of Malaysia, Cyberjaya. He is a member of the Shariah Committee for Maybank Islamic Berhad since July 2013. He is also a member of the Shariah Committee for AGRO Bank since August 2012. Actively involved in research works, writing books, and presentation of research papers at various local and international conferences and forums. He had been conferred an Excellence Award by University of Malaya for early completion of his Ph.D study.

Dr. Muhammad Naim Omar

Aged forty-nine (49), male, Malaysian. Appointed as the Group Shariah Committee member on 2 November 2015. Shariah Committee member of Takaful IKHLAS since April 2009 until its dissolution on 2 November 2015. He is an Assistant Professor of Islamic Law at Ahmad Ibrahim Kulliyah of Laws, International Islamic University of Malaysia and also OCBC Al-Amin Bank Berhad Shariah Committee Member. Graduated with a degree in Shariah Law from Al-Azhar University in 1992. In 1999, he received his Masters Degree from Cairo University in Shariah Law and later received Ph.D from the University of Wales, Lampeter, in 2006.

**Malaysian Reinsurance Berhad
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Whistleblowing

The Company is committed to carrying out its business in accordance with the highest standards of professionalism, honesty, integrity and ethics. Accordingly, the Company adopts MNRB Group's Whistleblowing Policy which was established with the following objectives:

- To help develop a culture of accountability and integrity within the Company;
- To provide a safe and confidential avenue for all employees, external parties and other stakeholders to raise concerns about any misconduct;
- To reassure whistleblowers that they will be protected from detrimental action or unfair treatment for disclosing concerns in good faith; and
- To deter wrongdoing and promote standards of good corporate practices.

This Policy governs the disclosures, reporting and investigation of misconduct within the Company as well as the protection offered to the persons making those disclosures ("whistleblowers") from detrimental action in accordance with Whistleblower Protection Act, 2010.

It is the Company's policy to encourage its employees and external parties to disclose any misconduct, and to fully investigate reports and disclosures of such misconduct, as well as to provide the whistleblower protection in terms of confidentiality of information, and to safeguard the whistleblower from any act of interference that may be detrimental to the whistleblower. The Company assures whistleblowers that all reports will be treated with strict confidentiality and upon verification of genuine cases, prompt investigation will be carried out.

The official avenues for disclosure by the whistleblower are via any of the following recipients:

- The Chairman;
- The Chairman of the Audit Committee; or
- The President and Group CEO of MNRB.

The disclosure of misconduct or wrongdoing shall be made in writing via email to disclosure@mnr.com.my. The Policy and relevant form can be accessed at MNRB's website www.mnr.com.my.

**Malaysian Reinsurance Berhad
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Accountability and Audit

(i) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements. The Audit Committee of the Board assists by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness. The Directors are responsible for ensuring that the accounting records are kept properly and that the Company's financial statements are prepared in accordance with applicable approved accounting standards in Malaysia.

The Statement by Directors pursuant to Section 252 (1) of the Companies Act, 2016 is set out on pages 1 and 5 of this Audited Financial Statements.

(ii) Internal Control and Risk Management

Responsibility

The Board acknowledges that it is responsible to oversee the implementation of the Company's risk management and internal control system and review its effectiveness, adequacy and integrity. It recognizes that risk management is a continuous process, designed to manage the risk of failure to achieve business objectives. In pursuing these objectives, internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an appropriate structure and process for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Company (i.e. the Enterprise Risk Management Framework or "ERM"). These processes have been in place for the whole of the financial year ended 31 March 2017 and have continued up to the date on which this Statement was approved. The Board is confident that these processes provide reasonable assurance on the effectiveness and efficiency of both the strategic, financial and operational aspects of the Company. The process is regularly reviewed by the Board.

Risk management and internal control structure

The key features that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

(i) Enterprise Risk Management Framework

- The Board believes that an effective ERM Framework and strong internal control system is essential to the Company in its quest to achieve its business objectives, especially on the continued profitability and enhancement of shareholders' value in today's rapidly changing market environment.

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Accountability and Audit (cont'd.)

(ii) Internal Control and Risk Management (cont'd.)

Risk management and internal control structure (cont'd.)

(i) Enterprise Risk Management Framework (cont'd.)

- Dedicated Board committee known as the Risk Management Committee of the Board (“RMCB”) have been established at the Company to oversee the implementation of an enterprise-wide risk management framework in each company. As part of the risk governance process, Chairman of the RMCB had provided their confirmation to the Chairman of the Board that the necessary risk management framework had been put in place and it is operating sufficiently, in all material aspect, to safeguard shareholders' interests and the Company's assets, as well as to manage the risks of the company for the whole of the financial year ended 31 March 2017.
- Dedicated Management Committees known as the Operational Risk Management Committee (“ORMC”) were also established at the Company to assist the RMCBs in implementing the risk management framework and ensuring inculcation of a proactive risk management culture on an enterprise-wide basis.
- The Audit Committee (“AC”) complements the role of the Board by providing an independent assessment of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The AC is assisted by an independent Internal Audit Department in performing its role.
- The Group Chief Risk Officer (“GCRO”) of MNRB Holdings Berhad (“MNRB”) (via outsourcing arrangements) oversees the risk governance across the Company. The risk governance structure is aligned through the adoption of the ERM Framework in order to embed and enhance the risk management culture. The GCRO is supported by the Risk Management Department, which was formed to provide the necessary infrastructure to carry out the risk management function.
- The Company adopts the Three Lines of Defence model, that serves as the guiding principles within the Company. The operating units are the first line of defence, who are responsible to manage risks and system of internal controls within their respective functions on a day-to-day basis, as well as escalate significant risks to the respective ORMCs via the risk management function. Risk Management and Compliance oversight functions are the second line of defence that assume overall responsibility to implement the ERM Framework and Compliance Management Framework, and its continued application in all subsidiaries. Internal Audit, as the third line of defence, provides the AC with independent assurance on the adequacy and effectiveness of the internal controls.

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Accountability and Audit (cont'd.)

(ii) Internal Control and Risk Management (cont'd.)

Risk management and internal control structure (cont'd.)

(ii) Internal Audit Function

- The internal audit function of the Company (via outsourcing arrangements) is undertaken by the Internal Audit Department of MNRB. The department has a functional reporting line to the AC of the company.
- The Internal Audit Department performs regular reviews of the business processes of the Group in an effort to assess the adequacy and effectiveness of internal controls.
- Where applicable, it provides recommendations to improve on the effectiveness of risk management, control and governance processes. Management will accordingly follow through to ensure the resolution of recommendations agreed upon. Audit reviews are carried out on functions that are identified on a risk-based approach, in the context of the Company's evolving business and its regulatory environment, while also taking into consideration inputs of Senior Management and the AC.
- The AC meets on a periodical basis to review matters identified in reports prepared by the Internal Auditors, External Auditors, and Regulatory Authorities. It further evaluates the effectiveness and adequacy of the Group's internal control system. The AC have active oversight on the Internal Auditors' independence, scope of work and resources. The activities undertaken by the AC during the year are highlighted in this statement.

(iii) Other Key Elements of Internal Control

- The Company has a well-defined organizational structure with clear lines of responsibility and accountability.
- The Board has also adopted communication policies to ensure that all decisions made are communicated promptly to staff of all levels within the Company and vice versa where feedbacks and suggestions on improvements could be communicated to the Board and Management.
- The Underwriting Guidelines have been put in place to manage risks that are being underwritten.

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Accountability and Audit (cont'd.)

(ii) Internal Control and Risk Management (cont'd.)

Risk management and internal control structure (cont'd.)

(iii) Other Key Elements of Internal Control (cont'd.)

- Reinsurance and retotakaful programs exist where there is a spread of reinsurers/retakaful operators with acceptable ratings from accredited agencies. The securities of these reinsurers and retakaful operators are reviewed on an annual basis.
- Departmental policies and procedures are available within the Company for day-to-day operations and act as guidance to employees on the necessary steps to be taken in a given set of circumstances. The policies and procedures enable tasks to be carried out with minimal supervision. It also specifies relevant authority limits to be complied with by each level of management within the Company.
- The Company's financial systems record all transactions to produce performance reports that are submitted to the respective Management within internally stipulated timelines.
- Annual business plans are submitted to the Board for approval.
- A detailed budgeting process has been implemented in the Company where the Company prepares a budget for the upcoming financial year for the approval of the Board. The budgets are monitored and major variances are followed-up by the Management.
- The Group Shariah Committee has been established at MNRB to provide oversight on Shariah related matters for the Company's Retakaful Division.
- Every employee of the Company is contractually bound to observe the prescribed standards of business ethics in their conduct at work and their relationships with external parties such as customers and suppliers. The Company expects each employee to conduct him/herself with integrity and objectivity and not to place him/herself in a position of conflict of interest. The competence of personnel is maintained through a structured recruitment process, a performance measurement and rewards system and a wide variety of training and development programmes.
- The Company holds a 20% effective equity interest in its associated company, Labuan Reinsurance (L) Limited ("Labuan Re") and is represented on the Board of Labuan Re by two (2) of its directors.

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Accountability and Audit (cont'd.)

(ii) Internal Control and Risk Management (cont'd.)

Risk management and internal control structure (cont'd.)

(iv) Other Committees of the Board

Apart from the RMCB and the AC, other Board Committees have also been established at the Company to assist the Board in performing its oversight function. They consist of the following:

- Investment Committee, which is responsible for reviewing and approving investment proposals, as well as monitoring the investment portfolios of the Company to ensure conformity with overall business objectives and statutory requirements.
- Nomination Committee, which is responsible to recommend to the Board the appointment of directors, CEO and Board appointees. The Nomination Committee is also responsible for the annual assessment of the effectiveness of the Board.
- Remuneration Committee, which is responsible to recommend the appropriate remuneration for the directors, CEO and Board appointees.

(v) Assurance from Management

The Board has also received assurance from the PCEO and the Group Chief Financial Officer ("GCFO") of MNRB that the Company's risk management and internal control system are operating sufficiently in all material aspect, to safeguard shareholders' interests and the Company's assets, as well as to manage the risks of the Company for the whole of the financial year ended 31 March 2017.

(iii) Relationship with Auditors

Information on the role of the Audit Committee in relation to the External Auditors is set out under the section 'Audit Committee' on pages 19 to 21.

The Company has always maintained a close and transparent relationship with its Auditors in seeking professional advice and ensuring compliance with the approved accounting standards.

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Accountability and Audit (cont'd.)

(iv) Management Accountability

The Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all its Management and Executive employees and formal performance appraisals are done on a periodic basis.

Authority limits, as approved by the Board, are clearly established and made available to all employees.

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(v) Corporate Independence

Significant related party transactions and balances are disclosed in Note 34 to the financial statements.

(vi) Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.