

# STATEMENT ON CORPORATE GOVERNANCE

## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of the Company is pleased to present this statement on the Company's corporate governance practices and the Company's application of the principles and compliance with the recommendations under the Malaysian Code on Corporate Governance 2012 ("Code") for its financial year ended 31 December 2013.

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Company is led by its Board of Directors ("Board") which has the overall responsibility to provide strategic guidance and effective oversight of management of the Company as well as effectively achieving good governance and protecting shareholders' interest.

#### 1.1 Clear Functions of the Board and Management

To ensure the effective discharge of its function and responsibilities, the Board had established a Board Charter which clearly sets out the relevant matters reserved for the Board's approval, as well as those that are delegated to the Board Committees and Chief Executive Officer.

Key matters reserved for the Board's decision include, inter alia, the following:

- Acquisition and disposal of assets of the Company or of its subsidiaries that are material in nature;
- Investment in new business;
- Divestment / sale of existing business;
- Related-party transactions of a material nature;
- Authority levels for core functions;
- Outsourcing of core business functions; and
- Corporate proposal on fund raising.

The Board Committees are authorised by the Board to undertake the duties and responsibilities in accordance with their respective Terms of Reference. The Chairman of the respective Board Committees reports its recommendation to the Board on matters deliberated in the Board Committee meetings.

#### 1.2 Roles and Responsibilities of the Board

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to adding long term value to the Company's shares. The Board will also direct and supervise the management in relation to the business and affairs of the Company.

In discharging its stewardship responsibilities, the Board has formally assumed the six (6) specific responsibilities as follows:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management;
- Developing and implementing an investor relations programme or shareholders communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

In the financial year 2013, the Board has been reviewing the Group's internal restructuring including implementation of the PT MAA General Assurance's liabilities settlement plan, the proposed increase of the Company's equity interest in Columbus Capital Pty Ltd and splitting of the existing composite license of MAA Takaful Berhad into two (2) capitalised legal entities that is family takaful and general takaful insurance, to ensure compliance with the Islamic Financial Services Act 2013.

#### 1.3 Code of Conduct

The Board continues to adhere to the Company's Code of Conduct which sets out standards of business and ethical conduct based on general principles including, amongst others, integrity, honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business and that of the Company, in order to enhance the standard of corporate governance and behaviour.

#### 1.4 Strategies Promoting Sustainability

The Board regularly reviews the strategic direction of the Company taking into account business strategy that drives longer term corporate growth and shareholder value by embedding and managing economic, environmental and social developments/issues into the business model. Detailed information on the sustainability activities are set out in the Business Sustainability statement of this Annual Report.

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## 1.5 Access to Information and Independent Professional Advice

The Board is given unrestricted access to the advice and services of the Company Secretary and the Senior Management staff in the Group.

The Directors have full and unlimited access to any information pertaining to the Group.

The Directors have direct communication channels with the Internal and External Auditors, and are able to convene meetings with the External Auditors whenever deemed necessary.

Directors are also allowed to obtain independent professional advice at the Company's expense in furtherance of their duties. However, there was no such advice sought by any Director during the year.

## 1.6 Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its duties. The Company Secretary advises the Board in relation to the Company's policies and procedures and compliance with the relevant regulatory and listing requirements.

## 1.7 Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles and responsibilities which are in line with the principles of good corporate governance. The Board Charter is subject to review periodically in order to ensure it is updated to reflect the changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. The Board Charter had been reviewed and agreed by the Board on 23 April 2013.

## 2. STRENGTHEN COMPOSITION

### 2.1 Nomination and Remuneration Committee

The Board of Directors had on 27 February 2013 combined both the Nomination Committee and Remuneration Committee into one committee to be named as "Nomination and Remuneration Committee". The Nomination and Remuneration Committee comprises wholly of Independent Non-Executive Directors. The members of the Nomination and Remuneration Committee as at the date of this Annual Report are as follows:

Chairman	:	Datuk Seri Razman Md Hashim - Independent Non-Executive Director (Appointed as member on 5 September 2012 and subsequently as Chairman on 27 February 2013)
Members	:	Dato' Jaffar Indot - Independent Non-Executive Director (Demised on 8 April 2014) Dato' Narendrakumar Jasani A/L Chunilal Rugnath - Independent Non-Executive Director (Appointed on 5 September 2012) Tan Sri Ahmad bin Mohd Don (appointed on 17 April 2014) Onn Kien Hoe (appointed on 17 April 2014)

The duties and responsibilities of the Nomination and Remuneration Committee are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors, Chief Executive Officer/Managing Director (CEO/MD) and Senior Management and the appointment and evaluation of the performance of Directors.

The principal Terms of Reference of the Nomination and Remuneration Committee are as follows:

- To review and determine the mix of skills, experience and other qualities (including core competencies of Non-Executive Directors) on an annual basis;
- To assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on an annual basis;
- To recommend a framework of remuneration for Directors, CEO and key senior officers of the Company and its subsidiary companies; and
- To recommend specific remuneration packages for Directors, CEO and key senior officers of the Company and its subsidiary companies.

The Nomination and Remuneration Committee meets at least once a year, with additional meetings convened as and when necessary. The Nomination and Remuneration Committee met twice during the financial year 31 December 2013 to review the results of the evaluation performed on the Board and Board Committees as well as to review, assess and recommend to the Board the remuneration package of the CEO, Executive Directors and Senior Management of the Company and its subsidiary companies.

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## 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

### 2.2.1 Assessment and Recruitment

In selecting suitable candidates, the Nomination and Remuneration Committee is guided by the Procedure for the Appointment and Removal of Directors, which takes into account the following criteria:

- Number of directorships already held by the candidate;
- Candidate's other commitments, resources and time available for input to the Board;
- Relationship of the candidate with another Director or major shareholder of the Company;
- Interest of the Company's stakeholders;
- Diverse background of the candidates;
- Education qualification and/or working experience of the candidates;
- Candidates with strategic thinking and leadership skills who are dynamic and responsive to the business environment;
- Ability of the candidates to ensure the effective management of internal and external risks of the Company;
- Ability of the candidates to interact effectively with the Board and the Management, to resolve contentious issues/problems arising in connection with the Company's business activities; and
- Whether the candidates have directed sufficient attention and resources towards the continuous growth and development of the Company.

The final decision on the appointment of a candidate recommended by the Nomination and Remuneration Committee rests with the whole Board. The assessment of the effectiveness of the Board is an ongoing responsibility of the Nomination and Remuneration Committee.

As part of the assessment process for financial year ended 2013, the Board also conducted a self-assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board during the year.

### 2.2.2 Gender Diversity

The Company sees the participation of women as being fundamental to the achievement of equal opportunity in the workplace. The relatively large number of female employees in the Group is proof that the gender diversity approach has long been in practice in the Group.

The Company further believes, by virtue of being the apex body overseeing key issues as strategy execution, management of risks and governance, that Board diversity translates into a more effective Board.

The Board is of the view that membership of the Board should be dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender.

The Company had on 23 May 2013 reviewed and formalised its Policy on Gender Diversity and Non Discriminatory as well as revised its procedures of appointment and removal of directors to include gender diversity in the boardroom.

## 2.3 Remuneration Policies

The Board is aware that fair remuneration is critical to attract, retain and motivate directors. The Nomination and Remuneration Committee in discharging its responsibilities in the review of the remuneration considers various factors including the following:

- Directors' skills and experiences;
- Market rate for Executive Director's salary having regard to the nature of the Company's business;
- Evaluation conducted by the Nomination Committee with respect to the effectiveness and contribution of the Director concerned;
- Non-Executive Directors' time devoted to the Company's affairs; and
- Directors' experience and responsibilities undertaken.

The Remuneration of the Directors for the financial year ended 31 December 2013 is set out below:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	225,000
Salaries and allowances	4,248,199	72,250
Bonus	1,170,396	-
Other Benefits	86,841	-
Total	5,505,436	297,250

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The number of Directors whose total remuneration falls within the following bands is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	5
RM300,001 to RM500,000	1	
RM1,000,001 to RM1,500,000	1	-
RM1,500,001 to RM2,000,000	1	-
RM2,000,001 to RM2,500,000	1	-

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independence

The Board conducts an annual self-assessment on the effectiveness of the Board and the Board Committees. The self-assessment covers topics that include independence of the independent directors, the effectiveness of the roles and responsibilities, Board structure, conduct of Board and Board Committees meetings and decision making. The results of the self-assessment are evaluated and assessed at the Nomination and Remuneration Committee meeting. Thereafter, the Chairman of the Nomination and Remuneration Committee would report its assessment to the Board for further deliberation, if necessary.

The Board values the independent and objective judgment brought by the Independent Directors to the Board, and recognises that the independence of the Independent Directors is crucial to provide an unbiased and independent view, advice and judgment to take into account the interest, of not only the Group but also of shareholders, employees and communities in which the Company conducts business.

Based on the assessment conducted on 17 April 2014, the Board is satisfied with the level of independence demonstrated by the present Independent Directors and their ability to act in the best interest of the Company.

### 3.2 Tenure of Independent Directors

The Board complies with the recommendation on the tenure of an Independent Director not exceeding a cumulative term of nine (9) years.

### 3.3 Shareholders' Approval for the Re-appointment of Non-Executive Directors

Currently, the Company does not have any Independent Non-Executive Director who has exceeded the nine (9) years tenure.

### 3.4 Positions of the Executive Chairman and the Chief Executive Officer

The roles of Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah as the Executive Chairman and Muhamad Umar Swift as the Chief Executive Officer/Group Managing Director ("CEO/Group MD") are distinct and separate, each has a clearly accepted division of responsibilities to ensure accountability.

The responsibilities of the Executive Chairman are, inter alia, as follows:

- Provides management of and leadership to the Board;
- Ensures regular Board meetings are held and ad hoc Board meetings are convened when necessary;
- Ensures that Board members are provided with complete, adequate and timely information;
- Chairs the shareholders' meeting;
- Acts as the Group's ambassador within the domestic and international market;
- Participates in the management committee meetings;
- Ensures and monitors compliance with policies set by the Board;
- Provides opinion to and/or work with the Group MD/CEO on major strategic issues;
- Acts as a liaison between the Group and government officials, embassy and foreign investors; and
- The main spokesperson for the Group.

The CEO/Group MD is responsible to ensure the execution of strategic goals, implementation of all decisions of the Board and the strategy adopted by the Board and assumes full accountability to the Board for all aspects of the Company's day-to-day operations and overall performance of the Group. The CEO/Group MD further ensures accurate and timely preparation of information for the Board on matters pertaining to the Group and sets the Board agenda for the approval of the Executive Chairman.

Based on the review and recommendation made by the Nomination and Remuneration Committee, the Board is of the view that Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah has been able to perform his role and responsibilities as the Executive Chairman without any impairment of objectivity and always in consideration of the best interests of the shareholders.

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## 3.5 Composition of the Board

The Board is a balanced board with a complementary blend of expertise, with professional and business experiences relevant to the Group's business. These can be seen in the Board of Directors' profile section which illustrates the Directors' background and experiences.

For financial year 2013, the Board comprised of nine (9) members, of whom five (5) are Independent Non-Executive Directors. Following the demise of Dato' Jaffar Indot on 8 April 2014, the Nomination and Remuneration Committee will assess and recommend the appointment of a new Independent Non-Executive Director, to be in line with recommendation 3.5 of the Code.

## 4. FOSTER COMMITMENT

### 4.1 Time Commitment

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2013.

The Board has met seven (7) times during the financial year ended 31 December 2013. The details of the attendance by each of the Directors for the financial year ended 31 December 2013 are as follows:

Members of the Board	Attendance	Percentage
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman)	7/7	100%
Muhamad Umar Swift	7/7	100%
Yeo Took Keat	7/7	100%
Datuk Seri Razman Md Hashim	5/7	71%
Tan Sri Ahmad bin Mohd Don	7/7	100%
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	7/7	100%
Dato' Jaffar Indot (Demised on 8 April 2014)	4/7	57%
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	5/7	71%
Onn Kien Hoe	7/7	100%

An annual meeting calendar is prepared by the Company Secretary and circulated to all Directors before the beginning of every year which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

The Nomination and Remuneration Committee is guided by the Company's Procedure for the Appointment and Removal of Director and will take into consideration various criteria in assessing new appointment of directorships to the Company including the number of directorships already held by the candidate and candidate's time availability and other commitments.

### 4.2 Training

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Nomination and Remuneration Committee regularly evaluates the training needs of the Directors and recommends trainings to each Director to enable the Directors to discharge his/her duties effectively and proficiently, taking into account the individual needs of each of the Directors.

During the financial year ended 31 December 2013, the Directors have attended and participated in various programmes and forums which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors.

The programmes or forums attended by the Directors include, inter alia, the following:-

Members of the Board	Programmes / Forum
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none"> <li>In-House Directors' Training: Economic and Capital Market Review</li> </ul>
Muhamad Umar Swift	<ul style="list-style-type: none"> <li>In-House Directors' Training: Economic and Capital Market Review</li> <li>2013 CPA Congress</li> <li>MIA Conference 2013</li> </ul>
Yeo Took Keat	<ul style="list-style-type: none"> <li>In-House Directors' Training: Economic and Capital Market Review</li> <li>MIA Conference 2013</li> </ul>
Datuk Seri Razman Md Hashim	<ul style="list-style-type: none"> <li>Corporate Governance Guide - Towards Boardroom Excellence by Bursa Malaysia</li> <li>Sunway Managers' Conference 2013</li> </ul>

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Members of the Board	Programmes / Forum
Tan Sri Ahmad bin Mohd Don	<ul style="list-style-type: none"> <li>• Overview of Board Presentation on the Competition Act 2010 and the Personal Data Protection Act 2010</li> <li>• In-House Directors' Training: Economic and Capital Market Review</li> <li>• 13th Annual Forbes Global CEO Conference</li> <li>• Sunway Managers' Conference 2013</li> </ul>
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	<ul style="list-style-type: none"> <li>• In-House Directors' Training: Economic and Capital Market Review</li> </ul>
Dato' Jaffar Indot (Demised on 8 April 2014)	<ul style="list-style-type: none"> <li>• Advocacy Sessions On Corporate Disclosure organised by Bursa Securities</li> </ul>
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	<ul style="list-style-type: none"> <li>• IRB – CTIM Roadshow 2013 The Importance of Taxpayer Compliance</li> <li>• CTIM – Insights to Malaysia's First Transfer Pricing Litigation</li> <li>• Grant Thornton – Practical aspects of applying MFRS</li> <li>• Grant Thornton – Enhancing Corporate Governance</li> <li>• Grant Thornton – Tax Seminar on Malaysian Budget 2014</li> <li>• CTIM – 2014 Budget Seminar</li> <li>• MIA Conference 2013</li> </ul>
Onn Kien Hoe	<ul style="list-style-type: none"> <li>• CCH ProSystem fx Engagement Reviewer Training</li> <li>• Financial Institutions Directors' Education (FIDE) Programme</li> <li>• Auditing for Fraud</li> <li>• In-House Directors' Training: Economic and Capital Market Review</li> <li>• Financial Accounting and Reporting for Takaful</li> <li>• Seminar on Liquidation</li> <li>• Seminar Percukaian Kebangsaan 2013</li> </ul>

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Financial Reporting Standards

The Company's annual financial statements and quarterly financial results are reviewed by the Audit Committee in consultation with the external auditors to ensure the reliability of the Company's financial statements in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965, before recommending for the Board's approval and submission to Bursa Securities for announcement.

### 5.2 Relationship with External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the external auditors, before recommending them to the shareholders for re-appointment in the Annual General Meeting.

The Audit Committee convenes meetings with the external auditors without the presence of the Executive Directors and Management of the Group whenever it deems necessary.

During the financial year ended 2013, the Audit Committee had conducted two (2) meetings with the external auditors without the presence of the internal Auditors and Management to discuss their audit plan, audit findings, financial statements and other matters that require the Board's attention.

During the year, the Audit Committee had assessed Messrs PricewaterhouseCoopers ("PwC") and is satisfied with the suitability and independence of PwC as external auditors of the Company.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound Framework

The Board through the Risk Management Committee and the Audit Committee, continually reviews the adequacy and effectiveness of the risk management processes in place within the various operating units with the aim of strengthening the risk management functions across the Company and the Group.

The features of the Company's risk management framework and the internal controls system are as highlighted in the Statement on Risk Management and Internal Control in this Annual Report.

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## 6.2 Internal Audit Function

The Company has outsourced its internal audit function to KPMG Management and Risk Consulting Sdn Bhd beginning 2014, who has the relevant qualifications and is responsible in providing assurance to the Board via its periodical audit reports on the effectiveness of the internal controls.

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policies and Procedures

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure, designated corporate disclosure officer and appointed spokespersons for the Company to ensure that material information disclosed by the Company is accurate, timely and complete. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority provided to designated persons in handling and disclosing material information.

### 7.2 Leverage of Information Technology for Effective Dissemination of Information

Shareholders and investors can access the Company's website at [www.maa.my](http://www.maa.my) for the latest corporate information of the Group. The Company's website provides all relevant information about the Company and is accessible by the public. It includes, amongst others, announcements by the Company, annual reports, the corporate governance structure and Code of Conduct of the Company.

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Shareholders Participation at General Meetings

The Board notes the recommendation 8.1 of the Code to take reasonable steps to encourage shareholders participation at the AGM. The Company will use best endeavours to serve the notice of the AGM meeting to shareholders earlier than the minimum notice period of at least twenty one (21) days before the date of the meeting in order to allow the shareholders to make necessary arrangements to attend and participate either in person or by proxy.

The Company also took note of the recommendation on e-voting and will explore the suitability and feasibility of employing electronic means for poll voting in future.

### 8.2 Poll Voting

The Company duly notes recommendation 8.2 of the Code to encourage poll voting, and Paragraph 10.08(7A) of the Bursa Securities Main Market Listing Requirements which mandates poll voting for related party transactions.

### 8.3 Effective Communication and Proactive Engagement

The forthcoming Annual General Meeting ("AGM") will be a good opportunity for proactive engagement and communication between the Board, shareholders and investors.

The Chairman and the Board members will be present to address all queries from shareholders on issues related to the Company. The shareholders will have direct access to the Board and are encouraged to participate in the question and answer session.

## COMPLIANCE WITH CODE

The Board is satisfied that the Company has implemented the principles and recommendations under the Code and believes that all material aspects have been complied with reasonably and in the manner most suited and appropriate for the Company in the best interest of all stakeholders.