

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 2014.

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 towards effectively achieving good governance and protection of its 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.

The Board has continued in the financial year 2014, to review, assess and oversee the progress of the Group's internal restructuring plans including the on-going implementation of the PT MAA General Assurance's liabilities settlement plan, review of the performance of Columbus Capital Pty Ltd in relation to the proposed increase of the Company's equity interest in Columbus Capital Pty Ltd, and evaluation of its group structure and re-organization plans to meet the requirements of the Islamic Financial Services Act 2013 which involves splitting of the existing composite license of MAA Takaful Berhad into two (2) capitalized legal entities that is family takaful and general takaful insurance.

The Board has also during the course of the year, evaluated the possible options for the Group in review and formulation of its regularisation plan pursuant to Practice Note 17. The Company has announced its proposed regularisation plan on 30 December 2014.

1.3 Code of Conduct

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

1.4 Strategies Promoting Sustainability

In continuation of the Group's long term commitment towards promoting sustainability, the Group continues to implement the various initiatives introduced in prior years as disclosed in the previous Annual Reports. The Board is continually mindful of the environmental, social and governance aspects in its decision making for the Group's business and operations. Further details of the sustainability initiatives and activities are set out in the Corporate Social Responsibility 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, and has 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.

The Directors are also allowed under the Company's procedure to obtain independent professional advice concerning the conduct of business and affairs of the Company in order to discharge their duties effectively and such costs are borne by the Company.

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 Board 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 had been reviewed and revised by the Board on 23 April 2013. The Board will continue to review the Board Charter periodically as may be necessary in order to ensure it remains updated should there be changes to the Company's policies, procedures and processes or the relevant legislations and regulations.

2. STRENGTHEN COMPOSITION

2.1 Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee as at the date of this Annual Report are as follows:

| | |
|----------|--|
| Chairman | : Tan Sri Datuk Seri Razman Md Hashim - Independent Non-Executive Director |
| Members | : Dato' Narendrakumar Jasani A/L Chunilal Rugnath - Independent Non-Executive Director Tan Sri Ahmad bin Mohd Don - Independent Non-Executive Director Onn Kien Hoe - Independent Non-Executive Director |

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 2014 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

The Nomination and Remuneration Committee is guided by its Terms of Reference and the Procedure for the Appointment and Removal of Directors and Review of the Effectiveness of the Board/Individual Directors, which sets out the various criteria and process for recruitment and annual assessment of directors.

The assessment of the effectiveness of the Board is an ongoing responsibility of the Nomination and Remuneration Committee.

For financial year ended 2014, and following the demise of Dato' Jaffar Indot on 8 April 2014, there has been no appointment of a new independent director to the Board. Whilst the Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group, it is mindful of the recommendation 3.5 of the Code, and the Nomination and Remuneration Committee continues to assess suitable candidates for recommendation to the Board. The Board has conducted a self-assessment on 26 February 2015 to assess the Board Committees, the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board during the year. The assessment covers inter alia the effectiveness of the Board structure and composition, Board operations and roles and responsibilities of the Board and the Board Committees.

2.2.2 Gender Diversity

The Company sees the participation of women as being fundamental to the achievement of equal opportunity in the workplace and has reviewed and continues to implement its Policy on Diversity and Non Discrimination. 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.

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 directors' 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 2014 is set out below:

| | Executive Directors (RM) | Non-Executive Directors (RM) |
|-------------------------|--------------------------|------------------------------|
| Fees | - | 192,125 |
| Salaries and allowances | 4,433,185 | 58,750 |
| Bonus | 998,138 | - |
| Other Benefits | 84,100 | - |
| Total | 5,515,423 | 250,875 |

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 |
| RM200,001 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 | - |

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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 includes assessment on the independence of the independent directors.

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 26 February 2015, 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 notes the recommendation on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years.

The Board currently has two (2) directors, Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don, who will have served as independent non-executive directors of the Company for a cumulative term of more than nine (9) years on 30 June 2015 and 12 October 2015 respectively.

The Nomination and Remuneration Committee has assessed and is satisfied with the ability of Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don to bring independence and objective judgement to Board deliberations, and recommends for them to continue to act as independent non-executive directors of the Company. Both Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don have abstained from the assessment, deliberation and recommendation in respect of this matter. Throughout their tenure, it has been proven that Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don are able to provide an independent voice on the Board in challenging whilst participating in the Board's decision making process, and the Group has benefited from their commitment, wisdom and oversight as they have in-depth knowledge of the Group's business and operations and vast experience in the accounting and audit industry.

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

The Board agrees with the recommendation of the Nomination and Remuneration Committee and is seeking the shareholders' approval to retain Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don as independent non-executive directors of the Company.

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 Datuk 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 as specified in the Board Charter to ensure accountability.

The responsibilities of the Executive Chairman include providing leadership to the Board, to chair the shareholders' meeting and to act as the Group's ambassador within the domestic and international market. The Executive Chairman participates in management committee meetings and further works with the Group MD/CEO on major strategic issues.

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.

Based on the annual assessment conducted on 26 February 2015 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 and all stakeholders.

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.

The Board comprises of eight (8) members as at the date of this Annual Report, of whom four (4) are Independent Non-Executive Directors. The present composition is in compliance with Chapter 15.02 of the Bursa Securities Listing Requirements. Whilst the Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group and there is a balance of power and authority on the Board, the Board notes recommendation 3.5 of the Code which requires a majority of independent directors where the Chairman of the Board is not an independent director, and the Nomination and Remuneration Committee will continue to assess suitable candidates for recommendation to the Board.

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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 2014.

The Board has met five (5) times during the financial year ended 31 December 2014. The details of the attendance by each of the Directors for the financial year ended 31 December 2014 are as follows:

| Members of the Board | Attendance | Percentage |
|---|------------|------------|
| Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman) | 4/5 | 80% |
| Datuk Muhamad Umar Swift | 5/5 | 100% |
| Yeo Took Keat | 5/5 | 100% |
| Tan Sri Datuk Seri Razman Md Hashim | 5/5 | 100% |
| Tan Sri Ahmad bin Mohd Don | 5/5 | 100% |
| Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah | 4/5 | 80% |
| Dato' Jaffar Indot (<i>Demised on 8 April 2014</i>) | 0/1 | 0% |
| Dato' Narendrakumar Jasani A/L Chunilal Rugnath | 4/5 | 80% |
| Onn Kien Hoe | 4/5 | 80% |

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 evaluates the training needs of the Directors and recommends trainings to each Director to enable the Directors to discharge their duties effectively and proficiently, taking into account the individual needs of each of the Directors.

During the financial year ended 31 December 2014, 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"> Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers In-House Directors' Training: Global Economic Review Board of Chairman Series: The Role of the Board Chairman |
| Datuk Muhamad Umar Swift | <ul style="list-style-type: none"> Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers Bank Negara Dialogue Session with Nomination Committee Members A Comprehensive Talent Based Approach to Board Recruitment In-House Directors' Training: Global Economic Review International Accountants Conference 2014 World Congress of Accountants 2014 |
| Yeo Took Keat | <ul style="list-style-type: none"> GST from a Legal Perspective: GST Operations, Powers of Customs, Rights of Taxpayers, Appeals Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers Cyber Security Awareness Training In-House Directors' Training: Global Economic Review International Accountants Conference 2014 World Congress of Accountants 2014 MFRS Update 2014 |

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| Members of the Board | Programmes / Forum |
|---|---|
| Tan Sri Datuk Seri Razman Md Hashim | <ul style="list-style-type: none"> • Personal Data Protection Act 2010 • Cyber Security Awareness Training • Bursa Advocacy Session • Sunway Managers' Conference 2014 |
| Tan Sri Ahmad bin Mohd Don | <ul style="list-style-type: none"> • Personal Data Protection Act 2010 • Nominating Committee Programme • Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers • Amendments and Changes to several MFRS Standards Applicable in 2014 and IFRS 15 – Revenue from Contracts with Customers |
| Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah | <ul style="list-style-type: none"> • Cyber Security Awareness Training • In-House Directors' Training: Global Economic Review |
| Dato' Narendrakumar Jasani A/L Chunilal Rugnath | <ul style="list-style-type: none"> • Interview for Approved Company Auditor and Liquidator • Chartered Tax Institute of Malaysia Tax Forum 2014 • By Laws: Highlights on Recent Amendments • Preparing for the New Accounting Models & New / Amended MFRS • Tax Seminar on Malaysian Budget 2015 • Grant Thornton International Global Conference • 2015 Budget Seminar • International Accountants Conference 2014 • World Congress of Accountants 2014 |
| Onn Kien Hoe | <ul style="list-style-type: none"> • Chartered Tax Institute of Malaysia National Tax Conference 2014 • Cyber Security Awareness Training • In-House Directors' Training: Global Economic Review • Role of Internal Control and Internal Audit in Corporate Governance • National Tax Seminar 2014 • Revision on Auditing Standards |

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 2014, 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 and internal controls in place within the various operating units with the aim of strengthening the risk management functions and internal controls 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 to the Audit Committee 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 requirements, its designated corporate disclosure officer and appointed spokespersons for the Company and respective roles and responsibilities of its management and officers to ensure that material information disclosed by the Company is accurate, timely and complete.

7.2 Leverage of Information Technology for Effective Dissemination of Information

Shareholders and investors can access the Company's website at www.maa.my for the latest corporate information of the Group. The Company's website provides all relevant information about the Company including its announcements and annual reports and is accessible by the public. Its corporate governance section includes, amongst others, the Board Charter 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.