STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This statement on Risk Management and Internal Control of MAA Group Berhad ("MAAG") is made pursuant to Bursa Malaysia Securities Berhad Listing Requirements which requires the Board of Directors ("the Board") of a listed Company to include a statement on the state of its internal control in the annual report.

The Malaysian Code on Corporate Governance 2012 ("Code") also recommends that the Board should maintain a sound risk management and internal control framework in order to safeguard shareholders' investments and the Group's assets.

Pursuant to these requirements, the Board is pleased to present the following statement that is prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board reaffirms its overall responsibility for the Group's system of Internal Control, including an assurance of its adequacy, integrity, and its alignment with business objectives. The Board is also of the view that, the risk management framework and internal control system in place are designed and have the capacity to manage the Group's risks within the acceptable risk appetite thresholds. The Board does not claim nor believes that the controls will totally eliminate the risks emanating from the exercise of poor judgment in decision-making, human error, deliberate circumvention of control processes by employees, and unforeseeable circumstances. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

Whilst the Board has overall responsibility for the Group's risk management and internal control system, it has delegated the immediate oversight and implementation of these internal control to the Management who makes regular submissions to the Audit Committee ("AC") and Risk Management Committee ("RMC") on the status of actions taken to mitigate and/or minimise identified risks.

The risk management and internal control system is subject to the Board's regular review via the independent Internal Audit function with a view towards appraising and ascertaining the relevancy, adequacy and effectiveness of the controls in place in key operational and business areas as identified in the annual Audit Plan.

From time to time, the Board receives assurances from the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") on the efficacy of the risk management and internal control system and that; it sufficiently safeguards the interests of the Group.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established by the Board to review the effectiveness of the risk management process, to report on key risks and recommend appropriate risk management strategies for the Board's approval.

- The Committee met four (4) times during the financial year. The attendance status at the Risk Management Committee meetings held during the financial year ended 31 December 2015 were as follows:

Name Of Committee Members	Total Meetings Attended
Dato' Narendrakumar Jasani A/L Chunilal Rugnath *(Chairman, Independent Non-Executive Director)*	4/4
Onn Kien Hoe *(Member, Independent Non-Executive Director)*	3/4
Tan Sri Ahmad bin Mohd Don *(Member, Independent Non-Executive Director)*	4/4
Tan Sri Datuk Seri Razman Md Hashim *(Member, Independent Non-Executive Director)*	3/4

During Committee meetings, the members engaged in active discussions with both the service provider and the Group Audit & Risk Department ("GARD") on risk management matters affecting the Group and its operations. Amongst matters emphasised during the year were the operations in the Philippines and Australia where the members had expressed some concern on the need to strengthen the risk management function in both the companies in order to obtain comfort that these foreign entities are continuously enhancing their respective ability to identify, evaluate and mitigate risks affecting their operations and profitability. A similar concern was expressed on the risk management function of the Group's largest operation, MAA Takaful Berhad ("MAAT").

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)

While all the three above mentioned entities have their own risk management governance structure and risk management matters are reported to their respective Boards, these reports are also escalated to GARD which reviews, assess and comments on the contents before they are tabled at the RMC. As for Pusat Tuisyen Kasturi Sdn Bhd ("PTK") and its subsidiaries, given their rather small scale and relatively simple business model, the risk management function of the entity is handled directly and driven by GARD.

GROUP AUDIT AND RISK

The day-to-day responsibility for the risk management function lies primarily with the GARD, as it oversees the implementation of the Enterprise Risk Management ("ERM") framework which is based on the ISO 31000 Risk Management Standard.

The Group continued to outsource part of its Risk Management activities during the year. The service provider in collaboration with GARD undertook a review of the adequacy of the risk management practices of the Group including the businesses in the Philippines and Australia to ascertain the extent of compliance with ISO 31000.

In the case of Columbus Capital Pty Limited ("CCA"), the exercise was also an integral part of the ongoing evaluation to ascertain whether there is a business case for the Group's shareholding in CCA to be increased so that it would qualify to be treated as a subsidiary. In the context of the review, working with the service provider, GARD made its maiden visit to Australia for this purpose. It enabled GARD to establish the gaps vis-à-vis the Group's expectations and the extent of the required investment in systems and human capital. A number of issues were identified in terms of the techniques being used in risk identification and evaluation, as well as the need to strengthen the Company's risk management policy and procedures. Upon securing the RMC's endorsement of the proposed corrective measures, GARD is currently working with CCA to expedite the implementation of these measures. We have already seen the initial fruits of this effort with the inaugural tabling of the risk management plans with its activity timelines, as well as the required reports to the RMC.

With regard to MAA General Assurance Philippines Inc. ("MAAGAP"), they too have similarly engaged a noted local service provider to undertake the risk management role in the Company. It must be stressed that, while Management is cognizant of the fact, the scale and relative complexity of MAAGAP's operations warrant bringing this function in-house, MAAGAP's continuing endeavour in this regard is thwarted by the acute shortage of qualified risk management personnel in the local job market. Hence in the interim, the focus is on enhancing the risk management infrastructure of the Company and the adequacy/effectiveness of the existing reporting/monitoring mechanisms. The Company has currently put in place a risk champion who plays the role of a liaison officer to work with both the service provider and GARD for this purpose. The current practice is that all risk management planning and execution strategies are discussed with GARD for input and authorisation before it is initiated. Also, all findings and reports tabled to the Board of MAAGAP will be previously reviewed by the GARD for comments. GARD makes quarterly visits to MAAGAP to ensure all findings of the service provider are addressed and reports back on the status of the same to the Group RMC.

In view of the Group's intensive search for an alternative core business(es) which will represent the basis of the Regularisation Plan to uplift the PN17 classification, as a pre-emptive action GARD worked with the service provider to come out with a risk management process for the evaluation of new business investments/propositions. With this customised risk assessment framework, the Group is able to avert or minimise the possibility of investing into a business that can incur large financial losses, cause irreparable reputational damage or prove difficult to manage and which either singly or collectively, could materially impact the future of the Group itself.

To ensure greater awareness of managing risks amongst Group personnel so that it becomes embedded into the work culture, GARD held discussions with departmental heads and the staff on the importance of this responsibility. Sessions were conducted either in classroom settings or through the dissemination of information on risk management practices through the in-house communication channel. They covered areas such as the importance of risk management in the dynamic business environment, risk accountability, methods and techniques of risk identification, evaluation as well as risk mitigation strategies. As with the existing risk management guidelines and policies, these information updates were consequently uploaded into GARD's public folder which resides in the Group's portal so that they remain accessible to all at all times.

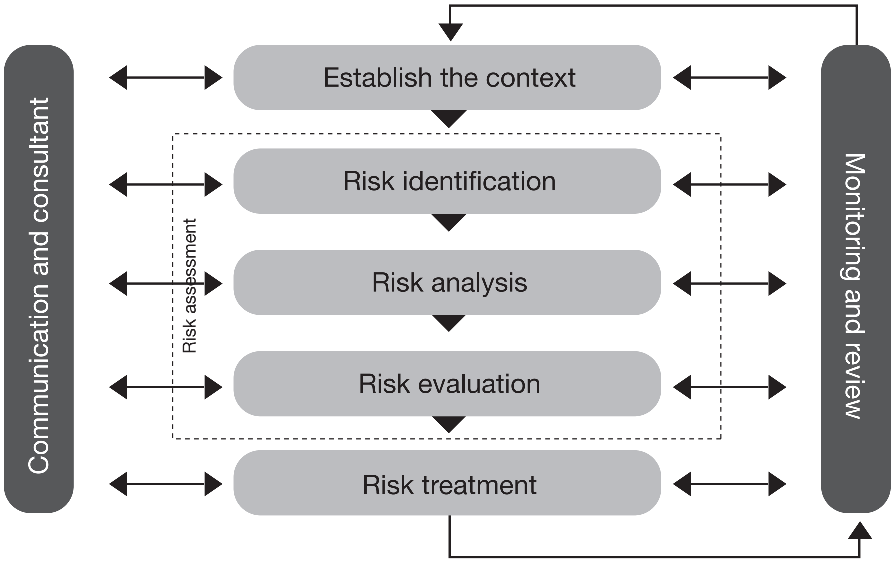
INTERNAL CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

Management acknowledges its responsibility for the management of risks, for developing, operating and monitoring the system of internal controls and for providing assurance to the Board that it has done so in accordance with the policies approved by the Board.

The internal control system is periodically assessed to determine its adequacy and level of effectiveness. The evaluation is performed by GARD using the controls rating parameter stated in the risk management framework. Further assurance is provided by the Internal Audit function. The Internal auditors collaborate with the risk management function to ensure areas with higher risks are assessed more frequently and more intensely. More details on the worked performed by the Internal audit function can be found in the Audit Committee Report of this annual report on page 51.

The diagram on the following page summarises the Risk Management process described in the ERM Framework which serves to inform and provide guidance to Directors, senior management, and staff on managing risks in the Group:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)



The ERM framework sets out:

- the fundamentals and principles of risk and risk management that are to be applied in all situations and throughout all levels of the Group;
- the process for identifying, assessing, responding, monitoring and reporting of risks and controls;
- the roles and responsibilities of each level of management in the Group; and
- the mechanisms, tools and techniques for managing risks in the Group.

In MAAG, the GARD ensures that all elements of the Framework are implemented throughout the Group and its subsidiaries. The process includes the systematic application of procedures and practices to the activities of risk identification, assessment, treatment, monitoring and reporting. A quarterly review of risks is undertaken to ensure that the risk profile remains relevant. This risk management process is applied to all levels of activity in the Group, with the objective of establishing accountability and ensuring mitigation at the source of the risk.

The Group and its subsidiaries are exposed to various financial risks such as credit risk, interest rate, foreign currency exchange rates, as well as operational risks. The level of risk tolerance of the Group is expressed through the use of a risk impact and likelihood matrix. Once the risk level is determined, the risk owner is obliged to deal with the relevant risks by adhering to the Group's risk treatment guidance on the actions to be taken and target timeline for implementation of the action plan. The Group will only accept a commercial level of risk that will provide reasonable assurance on the long term profitability and survival of the Group.

The top three (3) risks (as identified through the application of the above mentioned process) faced by the Group as a whole during 2015 were as follows:

a) the risk of insufficient preparation for implementation of the Goods and Services Tax ("GST") which would have resulted in non-compliance with legal requirements and subjected the Group to prosecution and heavy financial penalties apart from causing reputational damage and confusion amongst customers. Actions taken to mitigate this risk included initiating early action on the required system upgrades, encouraging and enrolling the affected staff in training programmes conducted by parties like Association of Chartered Certified Accountants ("ACCA") and Malaysian Institute of Accountants ("MIA") and seeking expert external advice/evaluation of the process flows. Apart from that, there were frequent discussions and monitoring of the GST implementation process during the management meetings. Due to these proactive initiatives, safe for some minor administrative hiccups, accommodating the GST levy proved to be largely a non-event from the risk standpoint.

b) Uncertainty in the governance framework under the provisions of the Islamic Financial Services Act 2013 ("IFSA") with regard to MAAT also topped the risk register. In addressing this matter, the Group undertook a study of the Act and identified the gaps to be filled from the governance, regulatory and business perspectives. An activity chart together with timelines and documentation of the responsible parties was then developed to close the gaps. This very much remains a work in progress item as in many cases, activity execution is dependent on the issuance of the applicable guidelines by the regulator. Notable attainments to-date include the choice of the preferred organisational structure upon splitting of MAAT's existing composite license, the tax implications of the same, identification of measures to minimise the resulting tax burden and separation and tagging of assets and personnel for the desegregated businesses.

c) The risks associated with the classification of the Group as a PN17 listed issuer. Until the Regularisation Plan is approved, this status carries the implied risk of the Group losing its listed status which the Board had resolved to maintain. Given that the provisions of the revised Financial Services Act 2013 ("FSA") (which is applicable to the Company on account of its shareholding in MAAT) restricts the search for new businesses to the financial sector, the Board took the view that it would be better for the Group to exit the financial services in Malaysia as this would enable it to explore a wider set of business options. This is because scaling up the existing financial services in order to fulfil the requirements for the speedy lifting the PN17 categorisation could only be achieved through acquisitions. However financial assets in the domestic market are limited and come with hefty valuations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)

The flexibility afforded by the Board's decision has become apparent immediately as the Group is now the recipient of many business proposals encompassing a diverse range of economic sectors extending from pharmaceutical through property development to medical care. The Group's own preference is for lightly regulated activities and those that are less capital intensive. Removal of the limitation imposed by the FSA, has considerably enhanced the Group's prospects for venturing or acquiring a new core business(es) and consequently, the upliftment of the PN17 classification.

The risk profiles of operating entities are different from the Group due to their nature of operations.

OTHER KEY ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT

- A comprehensive and detailed set of Standard Operating Procedures ("SOPs") and Internal Control Procedures ("ICPs") encompassing every key activity in all major facets of operations which are constantly revised to reflect changing circumstances and accessible for reference purposes. Currently there are 37 SOPs and 18 ICPs in place at the Group level. To ensure consistency, these ICPs and SOPs with minor modifications to suit different operating conditions is being rolled out to subsidiaries beginning with the companies in the PTK stable.

- A Whistleblower Policy providing the channels to anonymously report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address issues that may adversely affect the reputation and interests of the Group more effectively. Efforts are afoot to migrate the mechanism to a common platform that will enable reports to be lodged on a "anywhere, anytime" basis as this allows the policy to be adopted on a Group wide basis and provide a greater sense of security to reporting parties. There were no reports lodged under the policy during the year under review.

- The CEO and COO meet monthly with Senior Management to discuss and review the financial and business performance of all operating entities, management accounts, new business initiatives, other management and corporate issues of the Group including any policy papers to be tabled at the parent Board. These management forums relate to the operations of the Group itself, MAAT, PTK and the overseas operations. There were a combined total of 48 such Executive level meetings held in the course of 2015.

- Annual Budgets of all operating subsidiary and associate companies are prepared by the relevant Business/Operating units and evaluated by Head Office before being tabled for approval at the applicable Boards. The budgets which include both operational and financial parameters and longer term initiatives are monitored on a monthly basis at the Management meetings mentioned above.

- A formal and structured Document Sign-Off Policy where a mandatory minimum of four (4) different Department Heads (apart from the originator) must review, comment and sign off on any proposed changes or introduction of new operational policies before it can be submitted to the CEO or COO for endorsement and adoption.

- An Audit Committee comprising entirely of Non-Executive Members of the Board, who are also Independent Directors. The Audit Committee is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company and to all employees of the Group. The Audit Committee and the Board is also entitled to seek such other third party independent professional advice deemed necessary to the discharge of its responsibilities. In 2015, the Audit Committee exercise this authority once and appointed an external audit firm to investigate a purported case of misspelling involving a client of a subsidiary.

- Review of all proposals for material capital and investment opportunities by the Investment Committee and approval of the same by the Board prior to undertaking the said expenditure.

- Distribution of papers at least five (5) days in advance of a scheduled Board or Board Committee meeting so as to allow sufficient time for members to digest the contents and to seek additional information so as to arrive at an informed decision. The Board maintains complete and effective control over the strategies and direction of the Group especially with regard to reserved matters.

- Reviews by the Audit Committee of all risk management and internal control issues identified by the external and internal auditors. Findings are communicated to the Management and the Audit Committee with recommendations for improvements. Follow-up action to ascertain the implementation status of the recommended remedial actions is conducted by GARD and the Audit Committee is furnished with the relevant update.

- Adoption and implementation of the annual risk-based internal audit plan after it has approved by the Audit Committee.

- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Investment Committee, Executive Committee and Business Committees.

- A well-defined organisational structure with clear segregation of duties, accountabilities and responsibilities between Senior Management and Division Heads including appropriate formalised and documented financial and non-financial authority limits.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the opinion that there were no significant weakness identified during the year in the system of risk management and internal control, contingencies or uncertainties that could result in material loss and adversely affect the Company and the Group. There were specific shortcomings in operational guidelines pertaining to the receipt of 3rd party payments and top ups to Investment Linked products at a subsidiary. These gaps have since been closed through the institution of the applicable corrective measures. These include discontinuation of automatic approvals for criteria compliant corporate business proposals, extension of the large amount questionnaire to encompass top ups from both new and existing businesses (previously it was confined to new businesses only), obtaining written verification prior to issuance of receipts for all 3rd party payments and also in the case of assignment of corporate policies and lastly, emplacement of an additional level of oversight at Group level to monitor suspicious transactions. The Company and the Group continue to take the necessary measures to strengthen its internal control structure and the management of risks.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.