

HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

CORPORATE GOVERNANCE

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.

The Board of Directors ("Board") also reviewed the manner in which the Bank Negara Malaysia ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Company, where applicable, as set out below.

A. Board of Directors

I Roles and Responsibilities of the Board

The Board assumes responsibility for effective stewardship and control of the Company and has established Terms of Reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Company's website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the Chief Executive Officer ("CEO") who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

I Roles and Responsibilities of the Board (continued)

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls to the Group Board Audit Committee ("GBAC") under HLA Holdings Sdn Bhd ("HLAH"); and risk management and compliance to the Group Board Risk Management Committee ("GBRMC") under HLAH. The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Company for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Company and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

I Roles and Responsibilities of the Board (continued)

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at 'www.ssm.com.my'. In addition, the Company also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Company and it provides a structured channel for all employees of the Company and any other persons providing services to, or having a business relationship with the Company, to report any concerns about any improper conducts, wrongful acts or malpractice committed within the Company.

II Board Composition

The Board currently comprises six (6) Directors. The six (6) Directors are made up of one (1) Executive Director and five (5) Non-Executive Directors, of whom four (4) are independent.

The Company is guided by BNM CG Policy in determining its board composition. The Board shall determine the appropriate size of the Board to enable efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in July 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

III Board Meetings

The Board met six (6) times during the financial year ended 30 June 2022 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

<u>Directors</u>	<u>Attendance</u>
Mr Martin Giles Manen (Chairman)	6/6
Ms Loh Guat Lan	6/6
Encik Zulkiflee Bin Hashim	6/6
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	6/6
Mr Masayuki Takahashi	6/6
YBhg Dato' Bakarudin Bin Ishak <i>(Appointed with effect from 2 September 2021)</i>	5/5

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile

1 MR MARTIN GILES MANEN
Chairman/Non-Executive Director/Independent
Age 67, Male, Malaysian

Mr Martin Giles Manen is a Chartered Accountant and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Mr Martin Manen had served more than 21 years with Sime Darby Group from January 1986 to July 2007, holding various senior roles, including Executive Director, Group Tax Controller, Group Company Secretary and Group Finance Director. During his term as Group Finance Director and Executive Director of Sime Darby Berhad, he had full responsibility for the entire finance function within the Sime Darby Group, encompassing finance & accounting, corporate finance & planning, and information technology, with all of the divisional finance directors reporting to him. He also had served as a member of the Malaysian Accounting Standards Board, the Executive Committee of the International Fiscal Association (Malaysian Branch), the Task Force on the formation of an Audit Oversight Board chaired by the Securities Commission ("SC") and the Accounting Technical Panel of the SC as well as a Director and Chairman of the Board Audit and Risk Management Committee of Hong Leong Investment Bank Berhad.

Mr Martin Manen is the Chairman of Hong Leong MSIG Takaful Berhad ("HLMT") and was appointed to the Board of Directors ("Board") of HLMT on 16 April 2018. He is a member of the GBAC under HLAH.

Mr Martin Manen is presently an Independent Non-Executive Director ("INED") and Chairman of both the Audit Committee and the Risk Committee of Bermaz Auto Berhad ("Bermaz") and an INED of Top Glove Corporation Bhd ("Top Glove"). Bermaz and Top Glove are companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). He is also an INED of BOS Wealth Management Malaysia Berhad, a public company and a Director of Channel Micron Holdings Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

2 MS LOH GUAT LAN

Executive Director/Non-Independent

Age 57, Female, Malaysian

Ms Loh Guat Lan holds a Bachelor of Science in Human Development and is a Fellow Member of Life Management Institute (FLMI) and Life Office Management (LOMA) as well as Associate, Customer Service. She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of Hong Leong Assurance Berhad ("HLA") and was subsequently appointed as the Group Managing Director/Chief Executive Officer of HLA on 1 September 2009. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms Loh was appointed to the Board of HLMT on 1 November 2009 and is a member of the NC of HLMT.

Ms Loh is the Chairman of HL Assurance Pte Ltd and a Director of MSIG Insurance (Malaysia) Bhd, HLAH, Hong Leong Insurance (Asia) Limited, L.I.A.M. Holding Sdn Bhd and L.I.A.M. Property Sdn Bhd. She is also the President of the Life Insurance Association of Malaysia (LIAM), a Director of The Malaysian Insurance Institute and a Board Member of Financial Industry Collective Outreach (FINCO).

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

3 ENCIK ZULKIFLEE BIN HASHIM Non-Executive Director/Independent Age 63, Male, Malaysian

Encik Zulkiflee bin Hashim graduated with a Diploma in Credit Management from the Institut Teknologi MARA (now known as Universiti Teknologi MARA).

Encik Zulkiflee has over 35 years' of experience in the banking industry. He started his career with Citibank Malaysia in 1979 and left his position as Vice President in November 1991. From December 1991 to November 1997, Encik Zulkiflee was with Deutsche Bank Malaysia. He was the Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services. From July 1998 to October 2011, Encik Zulkiflee was the Executive Director of Hong Leong Bank Berhad ("HLB"). Prior to his retirement in 2015, he was HLB's Chief Operating Officer, Group Strategic Support from November 2011 to January 2015. During the tenure with HLB, he was given the responsibility to oversee various areas such as Branch and Banking Operations, Integrated Risk Management, Credit Management, Information Technology, Islamic Banking, Wholesale Operations, Retail Operations, Legal and Corporate Communications & Public Relations.

Encik Zulkiflee was appointed to the Board of HLMT on 28 May 2019. He is the Chairman of the NC and the Remuneration Committee ("RC") of HLMT and a member of the GBRMC under HLAH.

Encik Zulkiflee is presently an INED and Chairman of both the Board Audit Committee and the Board Financing & Investment Committee of Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank). He is an INED and Chairman of both the Board Audit Committee and the Board Risk Management & Compliance Committee of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (Al Rajhi Bank). He is also an INED of GuocoLand (Malaysia) Berhad.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

4 YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH Non-Executive Director/Independent Age 70, Male, British and Malaysian Permanent Resident

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah holds a Gemmology Diploma from The National Association of Goldsmiths, London, Great Britain and is a Fellow member of The Gemmological Association of Great Britain.

YBhg Dato' Nicholas Lough has extensive experience in the corporate sector, serving in various capacities, including Group Executive Director of The Melewar Corporation Berhad from 1987 to 1995. He possesses a wealth of experience in the fields of corporate finance and strategic planning, and has in-depth knowledge on corporate governance, risk management, internal controls and compliance.

YBhg Dato' Nicholas Lough was appointed to the Board of HLMT on 28 September 2020 and is a member of the NC and the RC of HLMT, and a member of the GBRMC under HLAH and the Group Board Information Technology Committee under HLFGL.

YBhg Dato' Nicholas Lough is currently a Director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust and Scicom (MSC) Berhad, both listed on the Main Market of Bursa Malaysia. He is also an INED of HLB, a major public listed banking group on the Main Market of Bursa Malaysia and serves as the Chairman of the Board Risk Management Committee and the RC, as well as a member of the Board Audit Committee and the NC of HLB.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

5 MR MASAYUKI TAKAHASHI Non-Executive Director/Non-Independent Age 57, Male, Japanese

Mr Masayuki Takahashi holds a Bachelor of Arts in Economics degree from the Keio University in Japan and a Master of Business Administration from the Graduate School of Kobe University in Japan.

Mr Takahashi is a competent leader and highly motivated professional with over 30 successful years of experience in insurance sector, all of which were in Mitsui Sumitomo Insurance Group. He first joined Tokio Marine and Fire Insurance Company, Limited (former company name of Mitsui Sumitomo Insurance Company, Limited ("MSIJ")), Japan in 1988 and was seconded to MSIG Insurance (Malaysia) Berhad as a Technical Advisor in 2005. In 2011, he was promoted to Assistant General Manager, International Department of MSIJ to support the General Manager for the planning of the international business. Mr Takahashi was then seconded to MSIG Insurance (Hong Kong) Limited as Director and Deputy Chief Executive Officer in 2014 before assuming the position of President and Chief Executive Officer of BPI/MS Insurance Corporation in Philippines where he was responsible to make major decisions in terms of strategy and managing the overall operations and resources of the company. In April 2021, he was transferred back to MSIJ to assume his present role as General Manager of Asian Life Insurance Business Department to provide support to overseas life insurance operations and oversight as a non-executive director.

Mr Takahashi was appointed to the Board of HLMT on 19 July 2021.

Mr Takahashi is also a Director of HLA, a public company.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Profile (continued)

6 YBHG DATO' BAKARUDIN BIN ISHAK

Non-Executive Director/Independent

Age 61, Male, Malaysian

YBhg Dato' Bakarudin bin Ishak holds a Bachelor of Economics (Honours) degree from the University of Malaya.

YBhg Dato' Bakarudin was a career officer of BNM for more than 31 years from 1985 until his retirement in 2017. During his tenure with BNM, he held various senior positions including Assistant Governor, Director of Islamic Banking and Takaful Department and Director of Exchange Control Department; and was seconded to Malaysian Electronic Clearing Corp Sdn Bhd (now known as PayNet) to be its CEO.

For the period from 2001 to 2008, YBhg Dato' Bakarudin served as the Director of Islamic Banking and Takaful Department where he was entrusted to develop a comprehensive Islamic finance sector and to formulate the required prudential regulations applicable to the Islamic banking institutions and takaful operators. He was then seconded to PayNet as CEO in 2008 to manage the business of large value payment in RENTAS and cheque clearing. In 2009, YBhg Dato' Bakarudin was appointed as the Assistant Governor of BNM overseeing two Departments i.e Payment System Policy and Currency Operations and at the same time, assumed the role of the CEO of PayNet. In 2011, he was assigned to cover another 4 departments of BNM, namely Payment System Policy, Developments Financial Institutions, Islamic Banking and Takaful and Financial Sector Development Department. In 2016, YBhg Dato' Bakarudin was assigned to take charge of the Financial Sector Regulations and Policy Division of BNM, covering 4 departments, namely Islamic Banking and Takaful, Prudential Financial Policies, Consumer and Market Conduct and Financial Surveillance.

During his tenure in BNM, YBhg Dato' Bakarudin also served as member of various committees of BNM, which include Risk Management Committee, Monetary Policy Committee, Technical Committee of Islamic Financial Services Board and the Working Group on the promulgations of regulatory and supervisory standards for Islamic financial institutions and takaful undertakings. He was also appointed as member of the International Centre for Education in Islamic Finance (INCEIF) EXCO and Governing Council.

YBhg Dato' Bakarudin was appointed to the Board of HLMT on 2 September 2021.

YBhg Dato' Bakarudin is currently the Chairman and INED of Cagamas Holdings Berhad, Cagamas SRP Berhad and Cagamas Berhad.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as Director of the Company. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

The Company regularly organises in-house programmes, briefings and updates by external and its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the financial year ended 30 June 2022, the Directors received regular briefings and updates on the Company's businesses, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals.

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Training (continued)

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the financial year ended 30 June 2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- IIUM Institute of Islamic Banking and Finance (IIBF) in collaboration with Malaysian Takaful Association, KTO Karatay University and Universitas Andalas - International Conference on Islamic Financial Literacy (ICiFIL 2021)
- HLMT In-house Directors' Training - Overview of Valuation for Insurance and Takaful
- BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on
- IBFIM - University of Cambridge Institute for Sustainability Leadership - Sustainability Leadership Programme for Financial Institutions
- Citigroup - Briefing on "Rise of Fintech and Future of Banking"
- HLB & HLISB - "Islamic Social Finance" Re-Engineering Islamic Social Finance: An Option or A Must?
- ICLIF - Climate Change: Impact on Banks & Role of the Board
- FIDE FORUM - The Board's Role and Responsibilities in Crisis Communication
- Insurance Industry Leadership Forum 2021 "RESET. RENEWAL. HOPE AND OPPORTUNITY"
- BNM-FIDE FORUM Dialogue with Senior Leaders on "Risk-Based Capital Framework for Insurers and Takaful Operations"
- Managing Corporate Investigations while securing stakeholders trust by Ernst & Young
- Climate Governance & Sustainability by Climate Governance Malaysia
- Information Management Training
- ICLIF - SC's Audit Oversight Board Conversation with Audit Committees Intentional Integrity: How Smart Companies Can Lead an Ethical Revolution
- FIDE Forum - Bursa-FIDE FORUM Dialogue on Sustainability
- FIDE Forum - SC-FIDE FORUM Dialogue on Capital Market Masterplan 3
- CTOS Financial Health Webinar Series Finale - Retirement Planning Forum
- BNM: Perlindungan Tenang Virtual Townhall
- Life insurance acquisitions by Private Equity (PE) and their Business Structure

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CORPORATE GOVERNANCE (CONTINUED)

A. Board of Directors (continued)

Directors' Training (continued)

- BNM-FIDE FORUM Dialogue with Tan Sri Nor Shamsiah bt Mohd Yunus, the Governor of BNM
- Securities Commission Malaysia - SC's Audit Oversight Board Conversation with Audit Committees
- HLFM In-house Training - Director's Induction Program
- MMA Insider Forum on Healthcare Reform
- Legal and Compliance Training by Compliance Department of MSI
- Enlightenment Training of Human Rights by Human Resources Department of MSI
- BNM - MyFintech Week 2022 Opening Ceremony and Launch of Financial Sector Blueprint 2022-2026
- BNM - Day 4 MyFinTech Week 2022
Session A: BNM-FIDE FORUM Masterclasses during MyFintech Week
Session B: Web 3.0 and the Future of Finance
Session C: Deep Dive into DeFi
- ICLIF - FIDE Elective Program (Market Risk Management - Banking Sector)
- Leading the Future of Insurance Workshop
- BNM-FIDE Forum Dialogue on Licensing Framework for Digital Insurers and Takaful Operators
- FIDE Core Program Module A
- FIDE Core Program Module B
- BNM-FIDE Forum Dialogue on Climate Risk Management and Scenario Analysis
- BNM jointly with World Bank Group - Report Launch - Exploring Nature-related Financial Risks in Malaysia
- KPMG Management & Risk Consulting Sdn Bhd - Sustainable Insurance
- HLFM Group - In-House Directors' Training: Anti-Corruption Empowerment Talk Series by Malaysian Anti-Corruption Commission
- FIDE FORUM - MetaFinance: The Next Frontier of the Global Economy
- IIUM - 76th Islamic Banking and Finance Discussion Series: "The Regulatory Development of Takaful and Re-takaful Windows
- Vision Business Solutions - Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Training for Directors

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees

Board Committees have been established by the Board to assist in the discharge of its duties.

(a) GBAC under HLAH

The GBAC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Audit Committees of HLAH, HLA and HLMT at HLAH, being the financial holding company. The Board Audit and Risk Management Committee ("BARMC") of HLMT was disbanded on 13 December 2017 with the establishment of the GBAC and GBRMC under HLAH.

The financial reporting and internal control system of the Company is overseen by the GBAC, which comprises the following members:

Ms Lim Tau Kien

(Chairman of GBAC and Independent Non-Executive Director of HLAH)

YBhg Dato Siow Kim Lun @ Siow Kim Lin

(Chairman, Independent Non-Executive Director of HLAH)

Ms Shalet Marian

(Independent Non-Executive Director of HLA)

Mr Martin Giles Manen

(Chairman, Independent Non-Executive Director of HLMT)

Mr Sim Hong Kee

(Independent Non-Executive Director of HLA)

YBhg Dato' Bakarudin bin Ishak

(Independent Non-Executive Director of HLMT)

(Appointed as GBAC member with effect from 10 February 2022)

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

Group Governance

- Noted that:
 - a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within its group of companies ("HLFG Group").
 - b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.
 - c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.
 - d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- The GBAC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group ("Insurance Group") shall align the responsibilities as set out above for the Insurance Group.

Terms of Reference

Secretary

The Secretary(ies) to the GBAC are the Company Secretary(ies) of the Company.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

External Audit

- To make recommendations to the Board of HLAH and its subsidiaries on the appointment, removal and remuneration of the external auditor, where applicable.
- To review the terms of engagement and the audit plan prior to engaging the external auditors and/or re-appointment of the external auditor.
- To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
- To review the assistance given by the officers of HLAH and its subsidiaries to the external auditor, where applicable.
- To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the GBAC on significant matters.
- To review the report of the external auditor, including any significant matters, and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
- To review third-party opinions on the design and effectiveness of HLAH and its subsidiaries' internal control framework.

Financial Reporting

- To review the accuracy and adequacy of the chairman's statement in the directors' report and corporate governance disclosures of HLAH and its subsidiaries, where applicable.
- To review the interim financial reports and annual financial statements of HLAH and its subsidiaries before submission to the Board of HLAH and its subsidiaries where applicable, focusing particularly on changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other legal requirements.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

Terms of Reference (continued)

Related Party/Connected Party Transactions

- To review and update the Board of HLAH and its subsidiaries on any related party transactions that may arise within the Group, where applicable.
- To monitor compliance with the Board of HLAH and its subsidiaries' conflict of interest policy, where applicable.

Internal Audit

- To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
- To review the adequacy and effectiveness of internal controls and risk management processes.
- To review reports and significant findings by internal audit function, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
- To support the Board of HLAH and its subsidiaries in meeting the expectations on internal audit management as set out in BNM's policy document, "Guidelines on Internal Audit Function of Licensed Institutions".
- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Internal Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

Terms of Reference (continued)

Internal Audit (continued)

- To engage privately with the Head of Internal Audit on a regular basis (and in any case at least once annually) to provide the opportunity for the Head of Internal Audit to discuss issues faced by the internal audit function.
- To review the Audit Charter of HLAH and its subsidiaries and recommend for respective Board's approval.
- To review any significant disagreement between the Head of Internal Audit and any member(s) of the senior management team where such disagreement may have adverse impact on the audit process or findings, and to recommend resolutions of such disagreement if they remain unresolved within a reasonable period of time.
- To establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of internal audit.
- To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.
- To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialized areas.
- Other audit functions as may be agreed to by the GBAC and the Board of HLAH and its subsidiaries.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

Whistleblowing

- In relation to HLAH and its subsidiaries' Whistleblowing Policy and Procedures:
 - a) oversee the implementation and effectiveness of HLAH and its subsidiaries' Whistleblowing Policy and Procedures; and
 - b) exercise its powers and carry out its responsibilities as set out under HLAH and its subsidiaries' Whistleblowing Policy and Procedures.

Authority

The GBAC is authorised by the Board of HLAH and its subsidiaries to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBAC.

The GBAC is authorised by the Board of HLAH and its subsidiaries to obtain independent legal or other professional advice if it considers necessary.

Meetings

The GBAC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such financial updates and annual financial statements being presented to the Board of HLAH and its subsidiaries for approval.

The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Internal Audit, other senior management and external auditors may be invited to attend the GBAC meetings, whenever required.

At least twice a year, the GBAC will have separate sessions with the external auditors without the presence of Executive Directors and management.

Issues raised, discussions, deliberations, decisions and conclusions made at the GBAC meetings are recorded in minutes of the GBAC meetings. A GBAC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBAC meeting where the material transaction or material arrangement is being deliberated by the GBAC.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

Meetings (continued)

Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive, shall constitute a quorum.

After each GBAC meeting, the GBAC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBAC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

Activities

The GBAC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2022, six (6) GBAC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	6/6
YBhg Dato Siow Kim Lun @ Siow Kim Lin	6/6
Ms Shalet Marian	6/6
Mr Martin Giles Manen	6/6
Mr Sim Hong Kee	6/6
YBhg Dato' Bakarudin bin Ishak (Appointed as GBAC member with effect from 10 February 2022)	1/1

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(a) GBAC under HLAH (continued)

Internal Audit Department

The Company has established in-house Internal Audit Function in April 2022. Internal Audit employs a risk-based assessment approach in auditing the Company's business and operational activities. An annual audit plan is developed and approved by the GBAC. All internal audit reports which incorporate the management's responses were tabled for discussion at the GBAC meetings.

During the financial year ended 30 June 2022, numerous audit tasks were completed, including operations, financial and regulatory compliance audits. These audits are performed in line with BNM Guidelines on Internal Audit Function.

The cost incurred for the Internal Audit function in respect of the current financial year was RM589,000 (2021: RM437,000).

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH

The GBRMC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Risk Management Committees of HLAH, HLA and HLMT at HLAH. The BARMC of HLMT was disbanded on 13 December 2017 with the establishment of GBAC and GBRMC under HLAH.

The risk management and compliance system of the Company is overseen by the GBRMC which comprises the following members:

Mr Sim Hong Kee

(Chairman of GBRMC and Independent Non-Executive Director of HLA)

(Appointed as GBRMC Chairman with effect from 10 February 2022)

Ms Koid Swee Lian

(Independent Non-Executive Director of HLA and HLAH)

(Redesignated as GBRMC member with effect from 10 February 2022)

YBhg Dato Siow Kim Lun @ Siow Kim Lin

(Chairman, Independent Non-Executive Director of HLAH)

Encik Zulkiflee bin Hashim

(Independent Non-Executive Director of HLMT)

YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah

(Independent Non-Executive Director of HLMT)

Group Governance

1. WHEREAS:

- a) Hong Leong Financial Group Berhad ("HLFG") as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within its group of companies ("HLFG Group").
- b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout HLFG Group.
- c) HLFG's risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation throughout HLFG Group.
- d) The respective subsidiary's Board and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH (continued)

Group Governance (continued)

THEREFORE:

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

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

Terms of Reference

Secretary

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

Risk Management

1. The GBRMC shall review the management's:
 - a) activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, operational risk, compliance risk, Shariah compliance risk (applicable to HLMT only), insurance risk as well as environmental, social and governance risk;

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH (continued)

Terms of Reference (continued)

Risk Management (continued)

- b) reports to the Boards of the Company and its subsidiaries on measures taken to:
 - identify and examine principal risks faced by the Company and its subsidiaries; and
 - implement appropriate systems and internal controls to manage these risks;
- c) major risk management strategies, policies and risk tolerance, and where appropriate endorse and recommend the same for the approval of the respective Boards of the Company and its subsidiaries;
- d) overall framework on the Internal Capital Adequacy Assessment Process (“ICAAP”), including management’s stress testing programme, annual risk appetite, Individual Target Capital Level (“ITCL”) and Capital Management Plan, and where appropriate endorse and recommend the same for the approval of the respective Boards of the Company and its subsidiaries;
- e) development and effective implementation of the ICAAP;
- f) periodic reports on risk appetite, risk exposure, risk portfolio composition and risk management activities;
- g) internal controls and risk management process to ensure their adequacy and effectiveness;
- h) risk management policies and frameworks in identifying, measuring, monitoring and controlling risk to ensure their adequacy and the extent to which these are operating effectively; and
- i) implementation of risk management as set out in BNM’s policy documents on Risk Governance, Approach to Regulating and Supervising Financial Groups, Corporate Governance, and in respect of HLMT, Shariah Governance.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH (continued)

Terms of Reference (continued)

Risk Management (continued)

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

Compliance

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

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH (continued)

Compliance (continued)

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

Authority

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

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH (continued)

Meetings

- 1) The GBRMC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary.
- 2) The GMD/CEO, CEO, Chief Financial Officer, CRO, Chief Internal Auditor, CCO, Head of Internal Audit and other senior management of the Company and its subsidiaries may be invited to attend the GBRMC meetings, whenever required.
- 3) Issues raised, discussions, deliberations, decisions and conclusions made at the GBRMC meetings are recorded in the minutes of the meetings. A GBRMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBRMC meeting where the material transaction or material arrangement is being deliberated.
- 4) A majority with at least one independent and non-executive director from each of the BNM regulated entities in the HLAH Group (i.e., the Company, HLA and HLMT) shall constitute a quorum.
- 5) After each GBRMC meeting, it shall report and update the Boards of the Company, HLA and HLMT on significant issues and concerns discussed during the meeting and where appropriate, make the necessary recommendations to their respective Boards.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(b) GBRMC under HLAH (continued)

Activities

The GBRMC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2022, seven (7) GBRMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Mr Sim Hong Kee	7/7
Ms Koid Swee Lian	7/7
YBhg Dato Siow Kim Lun @ Siow Kim Lin	6/7
Encik Zulkiflee bin Hashim	7/7
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	7/7

(c) Group Board Information and Technology Committee ("GBITC") under HLFG

Constitution

The GBITC was established to support the Boards of HLFG, Hong Leong Investment Bank Berhad ("HLIB"), HLA and HLMT, in discharging the following responsibilities:

- Oversee technology and cyber security related matters.
- Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
- Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM's policy document on Risk Management in Technology.
- Facilitate discussions amongst entities to rationalise practices and policies, and to seek consistent practices across entities.

For the purpose of this Terms of Reference:

- 'Boards' means the Boards of (i) HLFG; (ii) HLIB; (iii) HLA; and (iv) HLMT.
- 'Companies' and 'Company' means (i) HLFG; (ii) HLIB; (iii) HLA; and (iv) HLMT.
- 'BARMC' means Board Audit and Risk Management Committee.
- 'GBRMC' means Group Board Risk Management Committee.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) GBITC under HLFM (continued)

The GBITC comprises the following members:

Ms Chong Chye Neo

(GBITC Chairman, Independent Non-Executive Director of HLFM)

YM Raja Noorma binti Raja Othman

(Independent Non-Executive Director of HLFM and HLIB)

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah

(Independent Non-Executive Director of HLMT)

(Appointed as GBITC member with effect from 30 June 2022)

YBhg Dato' Ng Wan Peng

(Independent Non-Executive Director of HLA)

(Appointed as GBITC member with effect from 30 June 2022)

Encik Zulkiflee bin Hashim

(Independent Non-Executive Director of HLMT)

(Ceased as GBITC member with effect from 30 June 2022)

Ms Shalet Marian

(Independent Non-Executive Director of HLA)

(Ceased as GBITC member with effect from 30 June 2022)

Secretary

The Secretariat to the GBITC is the Company Secretary(ies) of HLFM.

Terms of Reference

- To review management's strategies relating to technology and cyber security and their alignment to the Companies' overall strategy, objectives and risk appetite.
- To ensure that the Companies' technology risk appetite is aligned to Companies' overall risk appetite statement.
- To review the adequacy of management's information technology and cyber security strategic plans over a three year period and periodically review these plans at least once every year.
- To oversee management's implementation of sound and robust technology-related frameworks, encompassing technology risk management and cyber resilience.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) GBITC under HLFG (continued)

Terms of Reference (continued)

- To ensure that the Companies' technology-related frameworks encompassing technology risk management and cyber resilience, remains relevant on an ongoing basis.
- To review the Companies' technology-related frameworks encompassing technology risk management and cyber resilience at least once every three years, for the Boards' affirmation.
- To review management's reporting to the Boards on measures taken to:
 - a) Identify and examine technology risk (including cyber risk) faced by the Companies;
 - b) Ensure strategies are in place to safeguard the Companies against current and emerging technology and/or cyber risks;
 - c) Assess effectiveness of controls put in place to manage these risks; and
 - d) Conduct appropriate and timely closure of IT audit findings.
- To review and ensure that management provides sufficient detailed information on key technology risk and critical technology operations to facilitate strategic decision-making. This includes reporting enterprise key risk indicators on the IT and cyber health posture.
- To review and report to the Boards on emerging global technology trends and their potential application within the Companies, to either enhance the business operations, safeguard existing businesses or improve overall technology security.
- To review post implementation reports of key technology projects to ensure that results are aligned to the risk posture stipulated in the initial project request.
- To review and report to the Boards on the strategic benchmarking of technology performance against external peer groups from time to time.
- To review the effectiveness of disaster recovery plans and disaster recovery testing to ensure high system resilience of technology systems, datacentres etc.
- To review and ensure adequacy of cyber security investments and that its associated roadmap for implementation is acceptable.
- Other technology and cyber security related matters as may be agreed by the Boards.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) GBITC under HLFM (continued)

Group Governance

Noted that:

- a) HLFM as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within HLFM Group.
- b) HLFM Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFM Group.
- c) HLFM's IT related functions may propose objectives, strategies, plans, governance framework and policies for group-wide adoption and implementation.
- d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFM level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific issues are adequately addressed in the implementation of group-wide policies.

Authority

GBITC is authorised by the Boards to review any technology-related activities of the Companies within its terms of reference. It is authorised to seek any technology-related information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBITC.

The GBITC is authorised by the Boards to obtain independent legal or other professional advice if it considers it necessary to perform the duties delegated by the Boards to this committee.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) GBITC under HLFG (continued)

Meetings

The GBITC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary.

The President and Chief Executive Officer, Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Chief Information Security Officer, Head of Group Operations and Technology, Chief IT Officer, other senior management and external auditors of HLFG and its subsidiaries may be invited to attend the GBITC meetings, whenever required.

Issues raised, as well as discussions, deliberations, decisions and conclusions made at the GBITC meetings are recorded in the minutes of the GBITC meetings. A GBITC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBITC meeting where the material transaction or material arrangement is being deliberated by the GBITC.

Two (2) members of the GBITC shall constitute a quorum.

After each GBITC meeting, the GBITC shall report and update the Boards on significant technology-related issues and concerns discussed during the GBITC meetings and where appropriate, make the necessary recommendations to the Boards for its deliberation and approval.

The minutes of each GBITC meeting shall be tabled to the Board of Directors of

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(c) GBITC under HLFM (continued)

Activities

The GBITC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2022, seven (7) GBITC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Chong Chye Neo	7/7
YM Raja Noorma binti Raja Othman	7/7
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Appointed as GBITC member with effect from 30 June 2022)	*
YBhg Dato' Ng Wan Peng (Appointed as GBITC member with effect from 30 June 2022)	*
Encik Zulkiflee bin Hashim (Ceased as GBITC member with effect from 30 June 2022)	7/7
Ms Shalet Marian (Ceased as GBITC member with effect from 30 June 2022)	7/7

Note:

* The GBITC meetings were held before the appointment of YBhg Dato' Nicholas John Lough and YBhg Dato' Ng Wan Peng.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(d) Nomination Committee ("NC")

The composition of the NC is as follows:

Encik Zulkiflee bin Hashim

(NC Chairman, Independent Non-Executive Director)

Ms Loh Guat Lan

(Non-Independent Executive Director)

YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah

(Independent Non-Executive Director)

Secretary

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the NC.

Terms of Reference

The primary functions and responsibilities of the NC are set out in the terms of reference as follows:

The NC's responsibilities are as follows:

- Support the Board in carrying out its functions in the following matters concerning the Board, Shariah Committee ("SC"), senior management and company secretary(ies):
 - a) appointments and removals;
 - b) composition;
 - c) performance evaluation and development; and
 - d) fit and proper assessments.

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CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(d) NC (continued)

Terms of Reference (continued)

The NC's responsibilities are as follows: (continued)

- Recommend to the Board the minimum criteria and skill sets for appointments of the Board, Board Committees, SC and for the position of Chief Executive Officer ("CEO").
- Review and recommend to the Board all Board, Board Committees and SC appointments, re-appointments and removals including of the CEO.
- Review annually the overall composition of the Board and SC in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, competence, knowledge and mix of skills and other core competencies required.
- Assess annually the performance and effectiveness of the Board, Board Committees, each individual director and SC member and their contributions to the overall functions.
- Oversee the appointment and management of succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2022, five (5) NC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Zulkiflee bin Hashim (Chairman)	5/5
Ms Loh Guat Lan	5/5
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	5/5

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(e) Remuneration Committee ("RC")

The composition of the RC is as follows:

Encik Zulkiflee bin Hashim

(RC Chairman, Independent Non-Executive Director)

YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah

(Independent Non-Executive Director)

YBhg Dato' Bakarudin bin Ishak

(Independent Non-Executive Director)

(Appointed as RC member with effect from 10 February 2022)

Mr Martin Giles Manen

(Independent Non-Executive Director)

(Ceased as RC member with effect from 10 February 2022)

Secretary

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the RC.

Terms of Reference

The RC's responsibilities are as follows:

- Recommend to the Board the framework and policies governing the remuneration of the:
 - a) Directors;
 - b) SC;
 - c) CEO;
 - d) Senior management officers; and
 - e) Other material risk takers.

HONG LEONG MSIG TAKAFUL BERHAD

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(e) RC (continued)

Terms of Reference (continued)

- Review and recommend to the Board for approval the specific remuneration packages of executive directors and the CEO.
- Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.
- Review and recommend to the Board for approval the remuneration of SC members.
- Other remuneration matters as may be agreed by the Board.

During the financial year ended 30 June 2022, one (1) RC meeting was held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Zulkiflee bin Hashim	1/1
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	1/1
YBhg Dato' Bakarudin bin Ishak <i>(Appointed as RC member with effect from 10 February 2022)</i>	*
Mr Martin Giles Manen <i>(Ceased as RC member with effect from 10 February 2022)</i>	1/1

Note:

* The RC meeting was held before the appointment of YBhg Dato' Bakarudin bin Ishak.

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

B. Board Committees (continued)

(e) RC (continued)

Remuneration Policy

The Company's remuneration strategy supports and promotes a high performance culture to deliver the Company's vision to be a highly digital and innovative takaful operator. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process which incorporates meritocracy in performance, the Company's values, key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

The remuneration framework also reinforces robust internal governance on performance and remuneration of control functions which are measured and assessed independently from business units/functions they support to avoid any conflict of interests. The framework stipulates that for effective segregation these staff will be appraised principally based on achievement of their control objectives.

Compensation for Material Risk Takers

The remuneration for member of senior management and other material risk taker is approved by the Board annually.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022
(CONTINUED)****CORPORATE GOVERNANCE (CONTINUED)****B. Board Committees (continued)****(e) RC (continued)**

The remuneration for Senior Officers and Material Risk Takers for financial year 2021/2022 is shown in the table below:

Total value of remuneration awards for the financial year	CEO		Senior Management and other Material Risk Takers	
	Unrestricted (RM)	Deferred (RM)	Unrestricted (RM)	Deferred (RM)
Fixed Remuneration				
• Cash-based	679,320	-	3,982,322	-
• Shares and share-linked instruments	-	-	-	-
• Other	-	-	-	-
Variable Remuneration				
• Cash-based	443,457	-	1,595,030	-
• Shares and share-linked instruments	-	-	-	-
• Other	210,461	-	1,221,669	-

C. Independence

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the Fit and Proper Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon completion of the 9 years, an independent director shall retire on the expiry date of his or her term of office approved by BNM.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a Director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from Directors who have, over time, gained valuable insight into the Company, its market and the industry.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

C. Independence (continued)

The independent Directors have declared their Independence, and the NC and the Board have determined, at the annual assessment carried out, that the independent Directors, have continued to bring objective judgment to the Board deliberations and decision making. The tenure of all the Independent directors on the Board does not exceed 9 years.

D. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016. They support the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the CEO of the Company.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

D. Commitment (continued)

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

E. Internal Controls Framework

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company and stakeholders' interest.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. It is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; policies and procedures; self-assessment process for business units to assess and manage the adequacy and effectiveness of its systems of internal controls and the level of compliance with applicable rules and regulations; and a monitoring and reporting process.

(a) Infrastructure

While the Board is ultimately responsible for the management of risks within the Company, several oversight committees have been established over the years to facilitate in depth review of the risks associated with specific aspects of the business such as NC, RC, GBAC, GBRMC, Executive Committee ("EXCO"), Investment Committee, Information Technology Steering Committee, Product Approval/Evaluation Committee, Underwriting and Claims Committee, etc. The duties and scope of work of these committees are documented in their respective terms of reference.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

E. Internal Controls Framework (continued)

(a) Infrastructure (continued)

The Company has a well-defined organisational structure with clearly defined authorities, accountability and segregation of duties. The Company operates its respective business units within the policies, functional, financial and operating reporting standards and control procedures developed by the Company. Such reporting standards and control procedures are supplemented by standard operating procedures developed by the business units.

(b) Policies and Procedures

The Company has established risk management policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The policies outline the common risk management processes across key risks types within the Company.

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the Board. These cover key areas of risk such as:

- Whistleblowing Policy
- Anti-Corruption System Policy
- Donation Policy
- Code of Conduct and Ethics
- Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions Policy
- Internal Capital Adequacy Assessment Process Policy
- Investment Policy
- Product Development Policy
- Management of Customer Information Policy
- Risk Management Policy
- Compliance Policy
- Audit Charter

Policies and procedures are reviewed regularly to ensure continued relevance and to capture the latest regulatory, statutory and Group requirements. Policies are endorsed by EXCO and GBRMC and subsequently approved by the Board while operating procedures are approved by EXCO, as appropriate, to formalise their application within the Company.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

E. Internal Controls Framework (continued)

(c) Self-assessment Process

Risk Self-Assessment and Compliance Self-Assessment tools are established in the Company. The results of the assessment are reported to the EXCO Committee and GBRMC and subsequently to the Board via GBRMC's highlights.

(d) Monitoring and Reporting

The Company has identified the key risks that have significant impact on its capital adequacy risk, solvency risk, strategic risk, credit risk, market risk, interest rate risk, liquidity risk, technology risk, takaful risk, operational risk and compliance risk. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring these risks through appropriate limits, control procedures and oversight.

An Enterprise Risk Dashboard that provides holistic view of the Company's risk profile is submitted to EXCO for review and reported to GBRMC for notation.

The Company has a process to collate statistics for Company-wide Key Risk Indicators as well as operational loss events reporting (via ORION) to EXCO and GBRMC and subsequently to the Board via GBRMC's highlights on a regular basis.

F. Corporate Independence

The Company has complied with BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 22 to the financial statements.

G. Management Accountability

The Company operates in an organisational structure and environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment. Human resource procedures of the Company provide for the setting of goals and training of each employee. The Company conducts formal appraisals for each employee on an annual basis.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

H. Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff of the Company are required to comply with the Code of Ethics and Conduct.

I. Relationship with Auditors

The external auditors are appointed on the recommendation by the GBAC, which determines the remuneration of the external auditors. The external auditors meet with the GBAC to:

- a) Present the scope of the audit before the commencement of audit; and
- b) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

J. Shariah Committee ("SC")

The Board has appointed an independent Shariah Committee ("SC"), whose members are made up of qualified persons as approved by BNM, to provide advice, decision, views and opinions related to Shariah matters, as well as perform oversight role on Shariah matters related to the business operations, affairs and activities to ensure compliance with Shariah.

The members of the SC are as follows:

Prof. Dr. Amir Shaharuddin <i>(Re-appointed with effect from 1st April 2022)</i>	(Chairman)
Puan Zarinah Mohd Yusoff <i>(Re-appointed with effect from 1st April 2022)</i>	(Member)
Assoc. Prof. Dr. Asmak Ab Rahman <i>(Re-appointed with effect from 1st April 2022)</i>	(Member)
Dr. Ahmad Zakirullah Mohamed Shaarani <i>(Appointed with effect from 1st April 2022)</i>	(Member)
Dr. Syahnaz Sulaiman <i>(Appointed with effect from 1st April 2022)</i>	(Member)

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

J. SC (continued)

During the financial year ended 30 June 2022, twelve (12) SC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Prof. Dr. Amir Shaharuddin	12/12
Puan Zarinah Mohd Yusoff	11/12
Assoc. Prof. Dr. Asmak Ab Rahman	12/12
Assoc. Prof. Dr. Nurul Aini Muhamed	*10/10
Dr. Muhammad Aunurrochim Mas'ad Saleh	*10/10
Dr. Ahmad Zakirullah Mohamed Shaarani	**2/2
Dr. Syahnaz Sulaiman	**2/2

Note:

**Assoc. Prof. Dr. Nurul Aini Muhamed and Dr. Muhammad Aunurrochim Mas'ad Saleh resigned on 31 March 2022.*

***Dr. Ahmad Zakirullah Mohamed Shaarani and Dr. Syahnaz Sulaiman were appointed on 1 April 2022.*

The SC has the responsibility to provide objective and sound advice to the Company to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- providing a decision or advice to the Company on the application of any rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Company;
- providing a decision or advice on matters which require a reference to be made to the SAC;
- providing a decision or advice on the operations, business, affairs and activities of the Company which may trigger a Shariah non-compliance event;
- deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- endorsing a rectification measure to address a Shariah non-compliance event.