

Statement on Corporate Governance

The Board of MNRB is committed to maintain high standards of corporate governance and strives to continuously improve the effective application of the principles and best practices as laid down in the Malaysian Code on Corporate Governance (“the Code”), the Listing Requirement of the Bursa Malaysia Securities Berhad and the Green Book published by the Putrajaya Committee on GLC High Performance.

MNRB’s policy is to implement all those principles and best practices and to uphold high standards of business integrity in all the activities undertaken by the Group. This includes a commitment to emulate good industry examples and comply with guidelines and recommendations in the conduct of business activities within the Group.

Set out below is a statement on how the Group has applied the principles of the Code and the extent to which it has complied with the Best Practices of the Code during the financial year ended 31 March 2007.

Board of Directors

The Board is responsible for the proper stewardship of the Group resources, the achievement of Group’s objectives and good corporate citizenship. It discharges this responsibility through compliance with all the relevant Acts and Regulations, including adopting the Principles and Best Practices of the Malaysian Code on Corporate Governance on corporate governance.

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

The Board comprises members with a wide range of experience in relevant fields such as insurance and reinsurance, accounting, legal, corporate finance, banking and business operations. Therefore, all Directors have the necessary depth to bring experience and judgment to bear on issues of strategy, performance, resources and ethical standards.

Board Balance

In accordance with the Company’s Articles of Association, the number of Directors shall not be less than two (2) or more than ten (10).

The Board currently comprises nine (9) members, all of whom are Non-Executive Directors. Four (4) of these members are independent and there is no group or individual dominating in the decision making process of the Board. By virtue of this

composition, the Company has thus complied with Paragraph 15.02 of the Listing Requirements of the Bursa Malaysia Securities Berhad which requires that at least two (2) directors or 1/3rd of the Board of Directors, whichever is the higher, to be independent.

Encik Mohammad bin Abdullah is the Non-Executive Chairman of the Board. The other Board members are:-

- Encik Anuar Mohd Hassan
(Non- Independent Non-Executive Director)
- Encik P. Raveenderen
(Independent Non-Executive Director)
- Y.Bhg. Dato’ Syed Ariff Fadzillah bin Syed Awalluddin
(Independent Non-Executive Director)
- Tuan Haji Yusoff bin Yaacob
(Independent Non-Executive Director)
- Y.Bhg. Datuk Haji Mohd Khalil bin Dato’ Haji Mohd Noor
(Non-Independent Non-Executive Director)
- Encik Sharkawi bin Alis
(Non-Independent Non-Executive Director)
- Encik Azhar bin Abdul Wahab
(Non-Independent Non-Executive Director)
- Tuan Haji Megat Dziauddin bin Megat Mahmud
(Independent Non-Executive Director)

Since the last Annual Report, one Board member resigned during the financial year, namely, Y.Bhg. Dato’ Mohd Taufik bin Dato’ Abdullah (Independent Non-Executive Director).

Conflict of Interest

Directors are required to declare their respective shareholdings in the Company and related companies and their interests in any contracts with the Company or any of its related companies. The Directors concerned will then abstain from any discussions and decision-making in relation to these transactions.

Board Meetings

The Board has scheduled meetings at least six (6) times a year, besides the Annual General Meeting. For the year ended 31 March 2007, the Board held seven (7) meetings.

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

Name of Director	No. of Meetings attended
Encik Mohammad bin Abdullah	6/7
Encik Anuar bin Mohd Hassan	7/7
Y.Bhg. Dato' Mohd Taufik bin Dato' Abdullah	2/2#
Encik P. Raveenderen	7/7
Y.Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin	7/7
Tuan Haji Yusoff bin Yaacob	7/7
Y.Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor	7/7
Encik Sharkawi bin Alis	7/7
Encik Azhar bin Abdul Wahab	6/7
Tuan Haji Megat Dziauddin bin Megat Mahmud	3/4##

Up to his resignation date on 27 July 2006

From his appointment date on 24 August 2006

At each scheduled meeting, there is a report which covers most of the elements of responsibility of the Board under the Malaysian Code on Corporate Governance, namely, reviewing/ adoption of and status of the Corporate Plan, overseeing conduct of the Group's business, compliance and risks management and internal controls system.

There is also a financial and business review and discussion of the Group's quarterly performance including operating performance to date against the annual budget and financial plan previously approved by the Board for that year.

Re-election of Directors

In accordance with the Company's Articles of Association, 1/3rd of the Directors for the time being or if their number is not a multiple of three (3), then the number nearest to 1/3, shall retire from office at each Annual General Meeting (AGM). All retiring Directors can offer themselves for re- election.

Directors who are appointed by the Board during the financial period before the AGM are subject to re-election by the shareholders at the first opportunity after their appointment.

Four (4) Directors are due for re-election at the 34th AGM to be held on 30 July 2007.

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group's business affairs, whether

as a full Board or in their individual capacity, to enable them to discharge their duties.

Prior to board meetings, every Director receives a notice of meeting, agenda and Board papers. Sufficient time is given to the Directors to enable them to obtain further explanations, where necessary, so that the meeting will be well participated.

The Board papers include at least the following:-

- Minutes of the previous meeting and meetings of Board Committees
- Report on the performance of the subsidiary companies
- Financial reports
- Internal Audit reports
- Compliance reports

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

All Directors have direct access to the members of the Senior Management team and the services of the Company Secretary, who is responsible for ensuring that Board procedures are adhered to at all times. The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company's expense.

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

Directors' Training

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

All new Directors are required to undergo an induction program where they receive information about the Group, the formal statement of the Board's role, the powers that have been delegated to the Company's senior management and management committees and latest financial information about the Group. This is to enable them to contribute effectively from the outset of their appointment. All Directors have attended the Mandatory Accreditation Programme in accordance with Bursa Malaysia Securities Berhad (BMSB) Listing Requirements.

With the repeal of Practice Note 15 on Continuing Education Programme (CEP) by BMSB, the continuous training needs of the Directors are now vested on the Board.

During the year, the Directors had attended various seminars and programmes in areas, which aid the respective Directors in carrying out their duties.

The following are some of the programmes and seminars attended by the Board members in 2006:-

- i) Seminar on Anti Money-Laundering
- ii) Directors and Officers Liability Insurance
- iii) Managing Organisational Change and Transitions
- iv) Enhancing Board Effectiveness
- v) Financial Reporting Standards
- vi) Seminar on Risk Based Capital Solvency Framework
- vii) An Overview Of Lloyds, Takaful and Retakaful
- viii) The Financial Sector & Corporate Malaysia – Addressing the Global Competitive Challenges
- ix) Making Corporate Boards More Effective

Board Committees

The Board has delegated specific responsibilities to six (6) board committees, namely, as follows:-

- i) Audit Committee
- ii) Nomination Committee
- iii) Remuneration Committee
- iv) Risk Management Committee
- v) Investment Committee
- vi) Share Option Committee

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

1. Audit Committee

The Audit Committee comprises three (3) members of whom all are Independent Non-Executive Directors. One member of the Committee is a qualified Accountant and a member of the Malaysian Institute of Accountants.

The Chairman of the Audit Committee is Encik P. Raveenderen, an Independent Non-Executive Director. The other members of the Committee are:

- Y.Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin (Independent Non-Executive Director)
- Tuan Haji Megat Dziauddin bin Megat Mahmud (Independent Non-Executive Director)

Appointed on 1 November 2006 to replace Y.Bhg. Dato' Mohd Taufik bin Dato' Abdullah who resigned on 27 July 2006

The Committee's terms of reference include the review of and deliberation of the Group's financial statements, findings of the External and Internal Auditors, any related party transactions and any conflict of interest situation within the Group as well as making recommendation to the Board on appointment / re-appointment of External Auditors.

The Audit Committee's duties, as spelt-out in the Audit Committee Report on pages 32 & 38 of this Annual Report, include primarily the duties as spelt out in paragraph 15.13 of the Listing Requirements of Bursa Malaysia.

The Committee met four (4) times during the financial year.

2. Nomination Committee

The Board had established a Nomination Committee comprising five (5) Non-Executive Directors. The Chairman of the Nomination Committee is Y. Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin, an Independent Non-Executive Director. The other four members of the Committee are :-

- Encik Mohammad bin Abdullah (Non-Independent Non-Executive Director)
- Encik Anuar bin Mohd Hassan (Non-Independent Non-Executive Director)
- Encik Azhar bin Abdul Wahab (Non-Independent Non-Executive Director)
- Y.Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor (Non-Independent Non-Executive Director)

Appointed on 18 August 2006 to replace Y.Bhg. Dato' Mohd Taufik bin Dato' Abdullah who resigned w.e.f 27 July 2006

The Committee's primary objective is to establish a documented formal and transparent procedure for the appointment of directors and key senior officers and to assess the effectiveness of directors, the board as a whole and the various committees of the board. The Committee regularly reviews the profile of the required skills and attributes of the Directors to ensure that the Board has the appropriate balance of expertise and ability to discharge its responsibilities.

The Committee met six (6) times during the financial year.

3. Remuneration Committee

The Board had established a Remuneration Committee comprising five (5) Non-Executive Directors. The Chairman of the Remuneration Committee is Y.Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin, an Independent

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Non-Executive Director. The other four members of the Committee are:-

- Encik Mohammad bin Abdullah
(Non-Independent Non-Executive Director)
- Encik Anuar bin Mohd Hassan
(Non-Independent Non-Executive Director)
- Encik Azhar bin Abdul Wahab
(Non-Independent Non-Executive Director)
- Y.Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor
(Non-Independent Non-Executive Director)

Appointed on 18 August 2006 to replace Y.Bhg. Dato' Mohd Taufik bin Dato' Abdullah who resigned w.e.f 27 July 2006

The Committee's primary objective is to establish a formal and transparent procedure for developing a remuneration policy for directors and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy. Additionally, the Committee is also responsible for recommending a framework of remuneration, based on the agreed Key Performance Indicators (KPIs), as well as recommending specific remuneration packages for directors and key senior officers.

The Committee met four (4) times during the financial year.

4. Risk Management Committee

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

With this in mind, the Board had established a dedicated Board Committee known as the Risk Management Committee of the Board (RMCB) to develop and oversee the implementation of an enterprise-wide risk management framework. The Committee comprises five (5) members and is chaired by an Independent Non-Executive Director. The members of the Committee are:-

- Tuan Haji Yusoff bin Yaacob - Chairman
(Independent Non-Executive Director)
- Encik P. Raveenderen
(Independent Non-Executive Director)
- Encik Mohammad bin Abdullah
(Non-Independent Non-Executive Director)

- Y.Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin
(Independent Non-Executive Director)
- Encik Sharkawi bin Alis
(Non-Independent Non-Executive Director)

The RMCB is responsible for:-

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

The Committee met four (4) times during the financial year.

5. Investment Committee

The Investment Committee, comprising five (5) Non-Executive Directors, examines strategic investment proposals and makes decisions to optimize the Group's returns on its investment activities.

The members of this Committee are:-

- Encik Mohammad bin Abdullah - Chairman
(Non-Independent Non-Executive Director)
- Encik Anuar bin Mohd Hassan
(Non-Independent Non-Executive Director)
- Encik P. Raveenderen
(Independent Non-Executive Director)
- Tuan Haji Yusoff bin Yaacob
(Independent Non-Executive Director)
- Encik Sharkawi bin Alis
(Non-Independent Non-Executive Director)

The Committee met four (4) times during the financial year.

6. Share Option Committee

At an Extraordinary General Meeting of the Company held on 22 May 2003, the Shareholders approved the establishment of a new Employees Share Option Scheme ("Scheme"). This Scheme came into effect on 25 July 2003 for a period of five (5) years.

The Share Option Committee is set up to administer the Scheme in such manner as it deems fit; including such powers and duties conferred upon it under the By-Laws of the Scheme.

A total of 2,958,000 shares had been exercised during the financial year.

The Share Option Committee comprises three (3) Non-Executive Directors. Its Chairman is Y.Bhg. Datuk Haji Mohd Khalil bin Dato' Haji Mohd Noor, a Non-Independent Non-Executive Director. The other two (2) members of the Committee are:-

- Encik Azhar bin Abdul Wahab
(Non-Independent Non-Executive Director)
- Tuan Haji Yusoff bin Yaacob
(Independent Non-Executive Director)

Appointed on 18 August 2006 to replace the vacant position due to the resignation of Y.Bhg. Dato' Mohd Taufik bin Dato' Abdullah w.e.f. 27 July 2006

Directors' Remuneration Remuneration Policy and Procedure

The recommendation to the Board on the appropriate remuneration packages for Directors in order to attract, motivate and retain directors of the necessary calibre and quality required by the Group would be made by the Remuneration Committee.

The policy of the Remuneration Committee is in line with the Group's overall practice on compensation and benefits. This is to reward Directors competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, the Committee takes into account comparable roles in similar organizations that may be similar in size, market sector or business complexity.

Except for Encik Anuar Mohd Hassan, all the other Non-Executive Directors are paid with Directors' fees, which are determined by the Board and approved annually by the shareholders. The remuneration for Encik Anuar Mohd

Hassan is paid by the Company's wholly-owned subsidiary, Malaysian Reinsurance Berhad, where he is employed as the President and Chief Executive Officer.

The details of the total remuneration of the Directors of the Company during the financial year ended 31 March 2007 are as follows: -

Directors Remuneration	Fees & Allowances	Salaries, Bonus & Benefits in Kind	Total
Up to RM50,000	2	-	2
RM50,001 to RM100,000	3	-	3
RM100,000 to RM150,000	3	-	3
RM150,001 to RM200,000	-	-	-
RM200,001 to RM1,000,000	1	-	1
RM1,000,001 to RM1,500,000	-	1	1
Total	9	1	10

Shareholders

Discussion between the Group, Investors and Analysts

As part of the Board's responsibility in developing and implementing an investor relations program, half-yearly briefings are held between the Group with the analysts and investors immediately after the announcement of the Group's half-year and full-year results to Bursa Malaysia.

Presentations based on permissible disclosures are made to explain the Group's performance and major development programs. Price-sensitive information about the Group is however, not disclosed in these briefings until after the prescribed announcement to Bursa Malaysia has been made.

In addition, MNRB also maintains a website which shareholders and the public in general can access to gain information about the Group.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. The Company's AGM is normally well attended as it provides the shareholders direct access to the Board as well as giving them opportunity to participate effectively and vote.

Notice of the Annual General Meeting and annual reports are sent out to shareholders at least fourteen (14) days before the date of the meeting.

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Besides the normal agenda for the Annual General Meeting, the Board presents reports on the progress and performance of the Group in the annual report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to provide responses to questions from the shareholders during this meeting.

For the re-election of Directors, the Board ensures that full information is disclosed through the notice of meeting on Directors who are retiring and who are willing to serve if re-elected.

Items of Special Business included in the notice of the meeting will be accompanied by an explanatory statement and / or Circular to Shareholders to facilitate full understanding and evaluation of the issues involved.

Accountability and Audit Financial Reporting

For financial reporting through interim quarterly reports to Bursa Malaysia and the annual report to shareholders, the Directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness.

The Directors are responsible for ensuring that the accounting records are properly kept and that the Group's financial statements are prepared in accordance with applicable approved accounting standards in Malaysia. The Statement by Directors, pursuant to Section 169 of the Companies Act, 1965, is set out on page 43 of this Annual Report.

Internal Control and Risk Management

Information on the Group's internal control is presented in the Statement on Internal Control set out on page 41 to 42 of this Annual Report. The Group's Statement on Risk Management is also set out on page 37 to 38 of this Annual Report.

Relationship with Auditors

Information on the role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report set out in pages 39 to 40 of this Annual Report. The Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

Management's Accountability

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

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

None of the Directors and Senior Management staff of the Group have any conflict of interest situations as referred to in Sections 54 and 55 of the Insurance Act, 1996.

Statement on Compliance with the Best Practices of the Code

The Group is committed to achieving high standards of corporate governance and highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with all the Principles and Best Practices as set out in the Code.

This Statement is made in accordance with the resolution of the Board of Directors dated 28 May 2007.