

## statement on CORPORATE GOVERNANCE

The Board of Directors of MNRB Holdings Berhad (MNRB) is committed to maintaining 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 (Revised 2007), the Listing Requirement of the Bursa Malaysia Securities Berhad (Listing Requirements) and the Green Book published by the Putrajaya Committee on GLC High Performance (the Green Book).

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 MNRB has applied the principles and complied with the Best Practices as prescribed under the above Code on Corporate Governance, the Listing Requirements and the Green Book during the financial year ended 31 March 2009.

### Board of Directors

The Board of MNRB 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 above Code on Corporate Governance, the Listing Requirements and the Green Book.

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, business 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, economic, investment, international business, 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 Composition

Under 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 of eight (8) members. Seven (7) out of the eight (8) members are Non-Executive Directors including the Chairman, and four (4) of them are independent. No individual or group of individuals dominate in the decision making

process of the Board to enable a balance and objective consideration of issue, hence facilitating optimal decision making. By virtue of this composition, the Company has thus complied with Paragraph 15.02 of the Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Malaysia) which requires that at least two (2) directors or 1/3 of the Board of Directors, whichever is the higher, to be independent.

The meetings of the Board of Directors are chaired by the Non-Executive Chairman, whose role is clearly separated from the role of the President & Group Chief Executive Officer (CEO). The Chairman is primarily responsible for ensuring the effectiveness and conduct of the Board whilst the President & Group CEO will ensure that Board policies and decisions are implemented accordingly.

Sharkawi Alis is the Non-Executive Chairman of the Board. The other Board members are:

- Anuar Mohd Hassan –  
President & Group CEO  
(*Non-Independent Executive Director*)
- P. Raveenderen  
(*Senior Independent Non-Executive Director*)



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- Dato' Syed Ariff Fadzillah Syed Awalluddin  
*(Independent Non-Executive Director)*
- Yusoff Yaacob  
*(Independent Non-Executive Director)*
- Datuk Mohd Khalil Dato' Mohd Noor  
*(Non-Independent Non-Executive Director)*

- Megat Dziauddin Megat Mahmud  
*(Independent Non-Executive Director)*
- Paisol Ahmad  
*(Non-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 are also required to declare their directorships in other companies. The Directors concerned will abstain from any discussions and decision-making in relation to these companies.

### **Board Meetings**

The Board has scheduled meetings at least six times a year, besides the Annual General Meeting. For the year ended 31 March 2009, the Board held six (6) meetings.

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

<b>Name of Director</b>	<b>No. of Meetings attended</b>
Sharkawi Alis	6/6
Anuar Mohd Hassan	6/6
P. Raveenderen	6/6
Dato' Syed Ariff Fadzillah Syed Awalluddin	6/6
Yusoff Yaacob	6/6
Datuk Mohd Khalil Dato' Mohd Noor	6/6
Megat Dziauddin Megat Mahmud	6/6
Paisol Ahmad	5/6

At each scheduled Board meeting, there is a report on the six (6) elements of responsibility of the Board under the Malaysian Code on Corporate Governance, namely:

- i) Reviewing/adoption of strategic and business plans
- ii) Overseeing conduct of the Group's business
- iii) Compliance and risks management
- iv) Succession planning
- v) Investor relationship and communications policy
- vi) 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 business plan previously approved by the Board for that year.

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### 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 1/3rd, 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 also required to seek re-election by the shareholders at the first opportunity after their appointment.

Three (3) Directors are due for re-election at the 36th AGM. The details of the Directors seeking re-election are disclosed in the Statement Accompanying the Notice of Annual General Meeting.

### 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 Board meeting and meetings of Board Committees
- Report on the performance of the subsidiary companies

- Financial reports
- Internal Audit reports
- Compliance reports

In addition, there are matters reserved specifically for the Board's decision, including the approval of business plans and annual budget, material acquisition and disposals of assets, major financial decisions as well as key policies and procedures.

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 programme 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's Listing Requirements.

With the repeal of Practice Note 15 on Continuing Education Programme by Bursa Malaysia, 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 during the financial year:

- Retakaful and Retakaful Accounting
- The Spanish Insurance Market and Agricultural Insurance System
- Reinsurance Accounting
- Bank Negara Malaysia's Financial Institutions Directors Education
- MINDA Programme for BUILDING High Performance Directors
- Innovation & Creativity for Business Growth
- Blue Ocean Strategy
- Importance of Strategy Execution
- The Changing Roles & Responsibilities of Company Directors



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- (x) Directors' Duties & Responsibilities – Beyond Compliance
- (xi) Directors' Performance Evaluation – Building a High Performance Board
- (xii) The EVA approach to Value Creation

### Board Committees

The Board has delegated specific responsibilities to six (6) board committees 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 four (4) members of whom three (3) are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. 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 P. Raveenderen, a Senior Independent Non-Executive Director. The other members of the Committee are:

- Dato' Syed Ariff Fadzillah Syed Awaluddin  
*(Independent Non-Executive Director)*
- Megat Dziauddin Megat Mahmud  
*(Independent Non-Executive Director)*
- Paisol Ahmad  
*(Non-Independent Non-Executive Director)*

The Committee's terms of reference include the review of and deliberation of the financial statements of the Company and the Group, 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.

In order to encourage a greater exchange of free and honest views and opinions between the Audit Committee and External Auditors, meetings between them without the executive board member and the management team being present were held twice during the year.

The Audit Committee's duties, as spelt out in the Audit Committee Report on pages 39 to 40 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 three (3) Non-Executive Directors. The Chairman of the Nomination Committee is Dato' Syed Ariff Fadzillah Syed Awaluddin an Independent Non-Executive Director. The other two (2) members of the Committee are:

- Sharkawi Alis  
*(Non-Independent Non-Executive Director)*
- P. Raveenderen  
*(Senior Independent Non-Executive Director)*

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 and is satisfied that the Board has the appropriate balance of expertise and ability to discharge its responsibilities.

The Committee met two (2) times during the financial year.

#### 3. Remuneration Committee

The Board had established a Remuneration Committee comprising three (3) Non-Executive Directors. The Chairman of the Remuneration Committee is

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Megat Dziauddin Megat Mahmud, an Independent Non-Executive Director. The other two (2) members of the Committee are:

- Dato' Syed Ariff Fadzillah Syed Awalluddin  
(Independent Non-Executive Director)
- Yusoff Yaacob  
(Independent Non-Executive Director)

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 specific remuneration packages for directors and key senior officers.

The Committee met five (5) 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, 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 three (3) members and is chaired by an Independent Non-Executive Director. The members of the Committee are:

- Yusoff Yaacob – *Chairman*  
(Independent Non-Executive Director)
- P. Raveenderen  
(Senior Independent Non-Executive Director)
- Datuk Mohd Khalil Dato' Mohd Noor  
(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 two (2) Non-Independent Non-Executive Director, one (1) Independent Non-Executive Director and one (1) Executive Director, examines strategic investment proposals and makes decisions to optimise the Group's returns on its investment activities.

The members of this Committee are:

- Datuk Mohd Khalil Dato' Mohd Noor – *Chairman*  
(Non-Independent Non-Executive Director)
- Anuar Mohd Hassan  
(Non-Independent Executive Director)
- Megat Dziauddin Megat Mahmud  
(Independent Non-Executive Director)
- Paisol Ahmad  
(Non-Independent Non-Executive Director)

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



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### 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 561,000 shares had been exercised during the financial year.

The Share Option Committee comprises two (2) Non-Executive Directors. Its Chairman is Datuk

Mohd Khalil Dato' Mohd Noor, a Non-Independent Non-Executive Director. The other member of the Committee is Yusoff Yaacob, an Independent Non-Executive Director.

The ESOS had expired on 25 July 2008 and hence the ESOS/Share Option Committee was dissolved at the 176th Board meeting of MNRB held on 31 July 2008.

### **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 Group's Remuneration policy 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 organisations that may be similar in size, market sector or business complexity.

Except for 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 details of the total remuneration of each Director of the Company during the financial year ended 31 March 2009 are as follows:

<b>Directors' Remuneration</b>	<b>Fees &amp; Allowances</b>	<b>Salaries, Bonus &amp; Benefits in Kind</b>	<b>Total</b>
<b><u>Non-Executive Directors</u></b>			
Up to RM50,000	–	–	–
RM50,001 to RM100,000	6	–	6
RM100,001 to RM150,000	1	–	1
RM150,001 to RM200,000	–	–	–
RM200,001 to RM1,000,000	–	–	–
RM1,000,001 to RM1,500,000	–	–	–
<b><u>Executive Director</u></b>			
RM1,500,001 to RM2,000,000	–	1	1
<b>Total</b>	<b>7</b>	<b>1</b>	<b>8</b>

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### Shareholders

#### Discussion between the Group, Investors and Analysts

As part of the Board's responsibility in developing and implementing an investor relations programme, 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 programmes. Price-sensitive information about the Group is however, not disclosed in these briefings until after the prescribed announcement to Bursa Malaysia has been made.

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

In addition, shareholders and the public can also convey their concerns and queries to the Senior Independent Non-Executive Director, P. Raveenderen at [praveenderen@hotmail.com](mailto:praveenderen@hotmail.com)

#### Annual General Meeting (AGM)

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.

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 scrutinising 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 102 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 pages 41 to 42. The Group's *Statement on Risk Management* is also set out on pages 46 to 47 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. 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 organisational 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 Malaysian Code on Corporate Governance, the Listing Requirements and the Green Book.

This Statement is made in accordance with the resolution of the Board of Directors dated 27 May 2009.