

## **HLA HOLDINGS SDN BHD**

Registration No. 200901003214 (846141-D)  
(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 also reviewed the manner in which the Bank Negara Malaysia ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

#### **A. Board of Directors ("Board")**

##### **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 Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and her 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 (CONT'D)****CORPORATE GOVERNANCE (CONT'D)****A. Board (cont'd)****I Roles and Responsibilities of the Board (cont'd)**

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 to the Group Board Risk Management Committee ("GBRMC") under HLAH. The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/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 GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

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

The GMD/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.

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **A. Board (cont'd)**

###### **I Roles and Responsibilities of the Board (cont'd)**

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.

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 four (4) Directors. The four (4) Directors are made up of one (1) Executive Director and three (3) Independent Non-Executive Directors.

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 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.

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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.

**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>
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	6/6
Ms Loh Guat Lan	6/6
Ms Lim Tau Kien	6/6
Ms Koid Swee Lian	6/6

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### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)**

#### **CORPORATE GOVERNANCE (CONT'D)**

##### **A. Board (cont'd)**

###### **Directors' Profile**

###### **YBHG DATO' SIOW KIM LUN @ SIOW KIM LIN**

**Chairman/Non-Executive/Independent**

**Age 72, Male, Malaysian**

YBhg Dato' Siow Kim Lun @ Siow Kim Lin holds an MBA from the Catholic University of Leuven, Belgium and a Bachelor of Economics (Hons) from the National University of Malaysia. He has also attended the Advanced Management Program at Harvard Business School.

YBhg Dato' Siow started his career in investment banking with Malaysia International Merchant Bankers Berhad in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Hwang Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, YBhg Dato' Siow was with the Securities Commission, where he served as the Director of its Issues and Investment Division and the Director of its Market Supervision Division. He has also served as a member of the Listing Committee of Bursa Malaysia Securities Berhad from May 2007 to May 2009.

YBhg Dato' Siow is the Chairman of HLAH and was appointed to the Board of HLAH on 1 July 2015. He is also a member of the GBAC, GBRMC and NRC of HLAH.

YBhg Dato' Siow is currently a board member of EITA Resources Berhad, Eco World International Berhad, Sunway Construction Group Berhad, Radiant Globaltech Berhad, RHB Investment Bank Berhad, Malaysian Trustee Berhad, RHB Trustee Berhad and RHB Securities (Thailand) Public Company Limited.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)****CORPORATE GOVERNANCE (CONT'D)****A. Board (cont'd)****Directors' Profile (cont'd)****MS LOH GUAT LAN****GMD/CEO/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 Association (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 HLA and was subsequently appointed as the GMD/CEO 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 HLAH on 1 September 2009.

Ms Loh is the Chairman of HL Assurance Pte. Ltd. ("HLAS") and a Director of MSIG Insurance (Malaysia) Bhd, Hong Leong MSIG Takaful Berhad ("HLMT") and 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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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)****CORPORATE GOVERNANCE (CONT'D)****A. Board (cont'd)****Directors' Profile (cont'd)****MS LIM TAU KIEN**

**Non-Executive Director/Independent**

**Age 64, Female, Malaysian**

Ms Lim Tau Kien graduated with a Bachelor of Accountancy from the University of Glasgow, Faculty of Law and is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland. She is also a member of the Malaysian Institute of Accountants.

Ms Lim began her career with Ernst & Young, United Kingdom, before serving the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently joined the Royal Dutch Shell Group where she held various senior finance positions over a period of 25 years in Malaysia, Australia and China, her last position being the Country Chief Financial Officer/Finance Director/Country Controller of the Shell Companies of China from 2004 to 2008.

Ms Lim has been a Director of listed and non-listed companies since 1997. She was appointed to the Board of HLAH on 1 July 2015 and is the Chairman of the GBAC and the NRC of HLAH.

Ms Lim is also a Director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust, a company listed on the Main Market of Bursa Malaysia Securities Berhad and a Director of Digital Nasional Berhad.

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**Non-Executive Director/Independent**

**Age 64, Female, Malaysian**

Ms Koid Swee Lian graduated in 1981 with a Bachelor of Laws (Honours) degree from the University of Malaya and was called to the Malaysian Bar as an Advocate & Solicitor in 1983.

Ms Koid was a career officer of BNM for more than 30 years from 1981 until her retirement in 2013 and had held various senior positions including Deputy Director of Legal Department, Head of Financial Intelligence Unit and her last position with BNM being the Director of Consumer and Market Conduct Department. During her tenure, Ms Koid was also appointed as the inaugural Secretary to the National Coordinating Committee to Counter Money Laundering.

Ms Koid was a member of an international team of experts from the Financial Action Task Force and Asia Pacific Group on Anti-Money Laundering that conducted a joint mutual evaluation of the USA's Anti-Money Laundering regime in 2005 to 2006. She had collaborated with various national and international organisations such as the World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, Consultative Group to Assist the Poor, and Alliance for Financial Inclusion where Ms Koid was engaged to speak at various forums on Anti-Money Laundering/Anti-Terrorist Financing, financial consumer protection and financial education.

From 2008 to 2011, Ms Koid was appointed by BNM to serve as a Board member of the Credit Counseling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK), BNM's wholly-owned subsidiary. She was seconded to AKPK as Chief Executive Officer from 2011 to 2014 where she had led the agency in elevating adult consumers' financial literacy and eliminating their financial hardship with debt relief programmes.

Ms Koid was appointed to the Board of HLAH on 8 May 2017. She is a member of the NRC and GBRMC of HLAH.

Ms Koid is currently a board member of HLA, Deutsche Bank (Malaysia) Berhad and Genting Berhad. In addition, she was appointed by Securities Commission as a public interest director on the Board of the Federation of Investment Managers Malaysia (FIMM). She was also an Adviser for the Consumer Financial Education Initiative of the Financial Planning Association of Malaysia (FPAM).



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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **A. Board (cont'd)**

###### **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.

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.

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **A. Board (cont'd)**

###### **Directors' Training (cont'd)**

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:

- Enterprise Risk Management – Actualising its Effectiveness
- Business Foresight Forum 2021 – Transformative Innovation Reshaping Business Realities in Extraordinary Times
- ESG / Sustainability and Climate Change Risk Management
- Khazanah Megatrends Forum 2021
- 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
- Becoming A Boardroom Star
- Corruption Risk Management & Organisational Anti-Corruption Plan
- KPMG Management & Risk Consulting Sdn Bhd – Sustainable Insurance
- ESG Investing: Perspective for the Stockbroking Industry
- HLF Group – In-House Directors' Training: Anti-Corruption Empowerment Talk Series by Malaysian Anti-Corruption Commission
- Invest ASEAN 2022: Framing a Future
- 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
- Citigroup - Briefing on "Rise of Fintech and Future of Banking"
- 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 Operators"
- Bursa-FIDE Forum Dialogue on Sustainability
- CTOS Financial Health Webinar Series Finale - Retirement Planning Forum
- BNM : Perlindungan Tenang Virtual Townhall
- Annual Dialogue with Governor of BNM
- MMA Insider Forum on Healthcare Reform
- BNM - MyFintech Week 2022 Opening Ceremony and Launch of Financial Sector Blueprint 2022-2026

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **A. Board (cont'd)**

###### **Directors' Training (cont'd)**

- Leading the Future of Insurance Workshop
- BNM-FIDE Forum Dialogue on Licensing Framework for Digital Insurers and Takaful Operators
- BNM-FIDE Forum Dialogue on Climate Risk Management and Scenario Analysis
- BNM-World Bank Group Report Launch
- The Net Zero Journey: What Board Members Need to Know
- The New Reality Of Cyber Hygiene
- Updated Malaysian Code of Corporate Governance 2021
- Essentials on Corporate Reporting and Assurance
- Responsible Management Talk Series 2021: Discover the secrets to the most successful sustainability strategies
- Success Next Industry Series: Redefining customer engagement in a digital first, financial services world
- US Forced Labour Legislation: Impact on Corporate Malaysia
- Reshape Virtual Summit 2021
- 2021 International Monetary Fund and World Bank Annual Meetings - In Conversation with Jose Viiials "The New Social Contract : Standing for a Just Transition"
- Anti-Money Laundering / Countering the Financing of Terrorism
- Responsible Management Talk Series 2021: Building a profit for purpose business
- Navigating the Security Frontier in 2022
- ESG Strategy for the Board: Turning Rhetoric into Reality in a VUCAWorld
- Reimaging Risk Management Post- Pandemic
- Leading for Good
- Leading the Digital Transformation of the Accounting Profession in Malaysia
- DEi Conversations: Elevating Investability
- TEDTalk 1 - Entering the 5G Era
- TEDTalk 2 - The Future Relevance of CFOs - ESG and Sustainability Reporting
- Sustainable Insurance
- China Conference: Southeast Asia 2022 WATCH (CCSEA2022)
- Thriving in an AI-enabled Digital Economy
- 2022 Board and Audit Committee Priorities

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **B. Board Committees**

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

##### **(a) GBAC of 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 HLAH 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)*

##### **Secretary**

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

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**CORPORATE GOVERNANCE (CONT'D)**

**B. Board Committees (cont'd)**

**(a) GBAC of HLAH (cont'd)**

**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.

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **B. Board Committees (cont'd)**

###### **(a) GBAC of HLAH (cont'd)**

###### **Terms of Reference**

###### **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 auditors.
- 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, where applicable.

###### **Financial Reporting**

- To review the accuracy and adequacy of the chairman's statement in the directors' report and corporate governance disclosures of the 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 (CONT'D)**

##### **B. Board Committees (cont'd)**

###### **(a) GBAC of HLAH (cont'd)**

###### **Terms of Reference (cont'd)**

###### **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 Insurance Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors.
- To engage privately with the Head of Insurance Audit on a regular basis (and in any case at least once annually) to provide the opportunity for the Head of Insurance Audit to discuss issues faced by the internal audit function.

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**CORPORATE GOVERNANCE (CONT'D)**

**B. Board Committees (cont'd)**

**(a) GBAC of HLAH (cont'd)**

**Terms of Reference (cont'd)**

**Internal Audit (cont'd)**

- 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 Insurance 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.

**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.



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The GBAC is authorised by the Board of HLAH and its subsidiaries to review any activity of the Group within its TOR. 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 Insurance 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 the 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.

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.

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#### CORPORATE GOVERNANCE (CONT'D)

##### B. Board Committees (cont'd)

###### (a) GBAC of HLAH (cont'd)

###### Activities

The GBAC carried out its duties in accordance with its TOR.

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 (Independent Non-Executive Director of HLMT) (Appointed as GBAC member with effect from 10 February 2022)	1/1

###### Insurance Audit Department ("IAD")

The Company's subsidiaries' internal audit function is carried out by the IAD. IAD employs a risk-based assessment approach in auditing the Company's subsidiaries' business and operational activities. An annual audit plan is developed and approved by the GBAC. All internal audit reports which incorporates the management's responses were tabled for discussion at the GBAC meetings.

During the financial year ended 30 June 2022, IAD carried out its duties covering key audit areas on actuarial, operational, investment, information systems, risk management, retakaful, agency training, branches and regulatory compliance audit. These audits are performed in line with BNM Guidelines on Internal Audit Function.

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**CORPORATE GOVERNANCE (CONT'D)**

**B. Board Committees (cont'd)**

**(b) GBRMC of 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, being the financial holding company. The BARMC of HLAH 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)

**Secretary**

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

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**CORPORATE GOVERNANCE (CONT'D)**

**B. Board Committees (cont'd)**

**(b) GBRMC of HLAH (cont'd)**

**Group Governance**

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.

THEREFORE:

HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group shall align the responsibilities set out above for the following subsidiaries:

- a) Hong Leong Assurance Berhad (“HLA”)
- b) Hong Leong MSIG Takaful Berhad (“HLMT”)
- c) Hong Leong Insurance (Asia) Limited
- d) HL Assurance Pte. Ltd.

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.

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **B. Board Committees (cont'd)**

###### **(b) GBRMC of HLAH (cont'd)**

###### **Terms of Reference**

###### **Risk Management**

- 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;
  - 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;
    - 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
  - 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 (CONT'D)**

**B. Board Committees (cont'd)**

**(b) GBRMC of HLAH (cont'd)**

**Terms of Reference (cont'd)**

**Risk Management (cont'd)**

- 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**

- 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
  - 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.

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#### **CORPORATE GOVERNANCE (CONT'D)**

##### **B. Board Committees (cont'd)**

###### **(b) GBRMC of HLAH (cont'd)**

###### **Terms of Reference (cont'd)**

###### **Compliance (cont'd)**

- 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.
- 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.
- 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**

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 (CONT'D)**

**B. Board Committees (cont'd)**

**(b) GBRMC of HLAH (cont'd)**

**Meetings**

The GBRMC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary.

The GMD/CEO, CEO, Chief Financial Officer, CRO, Chief Internal Auditor, CCO, Head of Insurance Audit and other senior management of the Company and its subsidiaries may be invited to attend the GBRMC meetings, whenever required.

Issues raised, discussions, deliberations, decisions and conclusions made at the GBRMC meetings are recorded in the minutes of the GBRMC 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.

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.

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 (CONT'D)**

**B. Board Committees (cont'd)**

**(b) GBRMC of HLAH (cont'd)**

**Activities**

The GBRMC carried out its duties in accordance with its TOR.

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

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Board Committees (cont'd)**

**(c) NRC**

The composition of the NRC is as follows:

Ms Lim Tau Kien  
(Chairman, Independent Non-Executive Director)  
YBhg Dato' Siow Kim Lun @ Siow Kim Lin  
(Independent Non-Executive Director)  
Ms Koid Swee Lian  
(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 NRC.

**Terms of Reference**

The nomination responsibilities of NRC are as follows:

- (i) Support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary(ies):
  - (a) appointments and removals;
  - (b) composition;
  - (c) performance evaluation and development; and
  - (d) fit and proper assessments.
- (ii) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of Chief Executive Officer.
- (iii) Review and recommend to the Board all Board and Board Committees appointments, re-appointments and removals including of the Chief Executive Officer.
- (iv) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
- (v) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.

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**CORPORATE GOVERNANCE (CONT'D)**

**B. Board Committees (cont'd)**

**(c) NRC (cont'd)**

**Terms of Reference (cont'd)**

The nomination responsibilities of NRC are as follows: (cont'd)

- (vi) Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend if they are found ineffective, errant and negligent in discharging their responsibilities.
- (vii) Ensure that the Board receives an appropriate continuous training programme.

The remuneration responsibilities of NRC are as follows:

- (i) Recommend to the Board the framework and policies governing the remuneration of the:
  - Directors;
  - Chief Executive Officer;
  - Senior management officers; and
  - Other material risk takers.
- (ii) Review and recommend to the Board for approval the specific remuneration packages of executive directors and the Chief Executive Officer.
- (iii) Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.

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### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)

#### CORPORATE GOVERNANCE (CONT'D)

##### B. Board Committees (cont'd)

##### (c) NRC (cont'd)

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

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	1/1
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	1/1
Ms Koid Swee Lian	1/1

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 shareholder of the Company at its Annual General Meeting.

#### Disclosure

The detailed remuneration of each Director during the financial year ended 2022 is set out in Note 14(c) to the financial statements.

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### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)**

#### **CORPORATE GOVERNANCE (CONT'D)**

##### **B. Board Committees (cont'd)**

##### **(c) NRC (cont'd)**

###### **Remuneration Policy**

HLAH's remuneration strategy supports and promotes a high performance culture to deliver HLAH's vision to be a highly digital and innovative company. 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, HLAH 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.

The remuneration process includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of Group Managing Director, senior management officers and other material risk takers are reviewed and approved by the Remuneration Committee and Board annually. HLAH maintains and regularly reviews a list of officers who fall within the definition of "other material risk takers".

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)****CORPORATE GOVERNANCE (CONT'D)****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.

The independent Directors have declared their independence, and the NRC 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.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)****CORPORATE GOVERNANCE (CONT'D)****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, provide 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 Chief Executive Officer of the Company.

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. A 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 Control Framework**

The Board of the Company and its subsidiaries has overall oversight responsibility to ensure that the Company and its subsidiaries maintain an adequate system of internal controls and is equipped with adequate operations and procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company, its subsidiaries and stakeholders' interests.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)****CORPORATE GOVERNANCE (CONT'D)****E. Internal Control Framework (cont'd)**

The Company's subsidiaries have established system of internal controls which provide reasonable but not absolute assurance that they would not be adversely affected by any event that could be reasonably foreseen as they strive to achieve their 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 Company's subsidiaries have well-defined organisational structures with clearly defined authorities, accountability and segregation of duties which provides reasonable assessment of adequate operations, internal financial controls and compliance with applicable laws and regulations.

**F. Corporate Independence**

The Company and its subsidiaries have 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 14 to the financial statements.

**G. Management Accountability**

The Company and its subsidiaries operate 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's subsidiaries provide for the setting of goals and training of each employee. The Company's subsidiaries conduct formal appraisals for each employee on an annual basis.

The Company's subsidiaries have an office of Corporate Communications to guide its communication policy.



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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**H. 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 recommendations after the conclusion of the audit.