

**GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
(93745-A)**

**Statement of Corporate Governance
31 December 2015**

(To be read in conjunction with the 2015 Annual Report)

CORPORATE GOVERNANCE (as referred to in the Directors' Report)

Great Eastern Life Assurance (Malaysia) Berhad (the “Company”) is committed to uphold good corporate governance practices, in conformity with Bank Negara Malaysia (“BNM”) Guidelines on “Prudential Framework of Corporate Governance for Insurers” (BNM/RH/GL 003-2) dated 19 June 2013 (the “Framework”) and is continually enhancing standards of the overall governance of the Company. The Framework is divided into six main sections namely, Board Responsibility and Oversight, Management Accountability, Corporate Independence, Internal Controls and Operational Risk Management, Public Accountability, and Financial Reporting. There are 33 principles in the Framework.

The Company adopts management practices that are consistent with the Framework. It has also complied with the prescriptive applications and most of the best practices principles enshrined in the Framework.

PART A. BOARD RESPONSIBILITY AND OVERSIGHT

Board's Conduct of Affairs

The Board of Directors (the “Board”) has overall responsibility for leading the Company and providing strategic directions in terms of corporate objectives, monitoring performance goals, and business strategies for the Company. The prime stewardship responsibility of the Board is to ensure the viability of the Company and that it is managed in the best interest of the Shareholders as a whole while taking into account the interests of other stakeholders. Its principal roles and functions, amongst others, include the following:

- (a) review and approve the annual business and strategic plans of the Company;
- (b) oversee the conduct of the Company's business to ensure that the business is properly managed towards achieving the insurer's corporate objectives, and that the Company's dealings with its policy owners, claimants and creditors are conducted in a fair and equitable manner;
- (c) identify key business risks, determines the risk appetite of the Company and ensure the implementation of appropriate systems to manage risks within established risk-tolerance limits;
- (d) ensure the adequacy and integrity of the Company's internal control and management information systems, including systems for monitoring compliance with applicable laws, regulations, rules, directives and guidelines; and
- (e) ensure that proper management succession and performance management are in place for the Company to meet its objectives.

The Company has adopted internal guidelines on matters which require Board's approval. Matters requiring Board's approval include corporate restructuring, major acquisition and disposal of assets by the Company, all material and special related party transactions, authority levels for the Company's core functions, outsourcing of core business functions, as well as corporate policies on investment, underwriting, reinsurance, claims management and risk management.

Board Committees

The Board has established specialised Board Committees and delegated certain specific governance responsibilities to the Board Committees, which operate within clearly defined Board-approved terms of reference, primarily to assist the Board in the execution of its oversight of the operations and business affairs of the Company. Although the Board Committees are granted such discretionary authority to deliberate and decide on certain key and operational matters, the ultimate responsibility for decision making on all matters lies with the Board. The Board Committees of the Company consist

of the Nominating Committee, Remuneration Committee, Audit Committee and Board Risk Committee. Details of the roles and principal responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of meetings of these Board Committees are maintained and circulated to the Board on a regular basis.

Meetings and Directors' attendance

The Board and Board Committees' meetings are scheduled in advance for the year and ad hoc Board and Board Committees' meetings are convened on a need to basis to address urgent issues and/or critical matters between the scheduled meetings. At the Board and Board Committees' meetings, the Board reviews the business performance and key activities of the Company presented by Senior Management Team, and considers business proposals of a significant nature. All members of the Board participated actively in the discussions and decisions were made objectively in the interests of the Company. During the financial year ended 2015, the Board met seven (7) times to deliberate and consider a variety of significant matters that required its guidance and approval.

All Directors meeting attendance was 100%, hence complied with the minimum 75% attendance at Board meetings as stipulated in the Framework.

The number of meetings of the Board and Board Committees held in 2015 and the attendance of each Director on the Board and respective Board Committees during the financial year ended 31 December 2015, are as set out below:

Name of Director	Board		Nominating Committee		Audit Committee	
	No. of Meetings ⁽¹⁾		No. of Meetings ⁽²⁾		No. of Meetings ⁽³⁾	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ip	7	7	6	6	6	6
Yg Bhg Datuk Kamaruddin bin Taib	7	7	6	6	6	6
Yg Bhg Dato' Yeoh Beow Tit	7	7	6	6	6	6
Yg Bhg Dato Koh Yaw Hui	7	7	-	6 ⁽⁶⁾	-	6 ⁽⁶⁾
Mr Lee Kong Yip	7	7	6	6	6	6
Mr Ng Hon Soon	7	7	6	6	-	-

Name of Director	Remuneration Committee		Board Risk Committee	
	No. of Meetings ⁽⁴⁾		No. of Meetings ⁽⁵⁾	
	Held	Attended	Held	Attended
Mr Norman Ip	3	3	-	-
Yg Bhg Datuk Kamaruddin bin Taib	-	3 ⁽⁶⁾	7	7
Yg Bhg Dato' Yeoh Beow Tit	3	3	7	7
Yg Bhg Dato Koh Yaw Hui	-	3 ⁽⁶⁾	-	7 ⁽⁶⁾
Mr Lee Kong Yip	3	3	7	7
Mr Ng Hon Soon	-	3 ⁽⁶⁾	-	-

Notes:

- (1) A total of 7 Board meetings were held in 2015, on 30 January, 25 March, 27 May, 21 July, 30 July, 10 September and 19 November 2015.
- (2) A total of 6 Nominating Committee meetings were held in 2015, on 30 January, 25 March, 27 May, 30 July, 10 September and 19 November 2015.
- (3) A total of 6 Audit Committee meetings were held in 2015, on 29 January, 25 March (*ad hoc*), 20 April, 21 July, 30 July and 19 October 2015.
- (4) A total of 3 Remuneration Committee meetings were held in 2015, on 30 January, 25 March and 27 May 2015.
- (5) A total of 7 Board Risk Committee meetings were held in 2015, on 7 January, 26 February, 21 April, 30 June, 11 August, 10 September and 28 October 2015.
- (6) Attendance by Invitation.
- (-) Not applicable to the Non-Members of the respective Board Committees.

Board Membership

The Company's Board comprised 6 members, being 5 Independent Non-Executive Directors and 1 Executive Director. The Independent Non-Executive Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation. All Directors comply with the prescribed maximum limit of other directorships held.

The composition of the Board was as follows:

Members of the Board

Mr Norman Ip
Yg Bhg Datuk Kamaruddin bin Taib
Yg Bhg Dato' Yeoh Beow Tit
Yg Bhg Dato Koh Yaw Hui
Mr Lee Kong Yip
Mr Ng Hon Soon

Status of directorship

Chairman and Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
Non-Independent Executive Director
Independent Non-Executive Director
Independent Non-Executive Director

Note:

Mr Lee Kong Yip had stepped down as Director and relinquished his positions as Chairman of Nominating Committee, Remuneration Committee and Board Risk Committee as well as Member of Audit Committee on 31 December 2015.

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

Each Director has been approved by BNM for appointment and re-appointment (as the case may be) to the Company's Board for a term of not more than three years. Applications for re-appointment of Directors have been submitted to BNM for approval at least three months before the expiry of the BNM term of appointment, in accordance with the provisions of BNM Guidelines on "Minimum Standards for Prudential Management of Insurers (Consolidated)" (BNM/RH/GL 003-01).

The Company's Articles of Association provide for one-third of the remaining directors to retire from office by rotation and if eligible, to be re-elected at the Annual General Meeting ("AGM") of the Company. A Director who is over 70 years old is subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. For Directors whose BNM term of appointment has not expired at the time of the AGM, but who are required to retire by rotation from office or pursuant to Section 129(6) and are eligible for re-election/re-appointment, BNM's approval is not required to re-elect/re-appoint the Directors concerned at the AGM.

On a yearly basis, the Directors are subject to an internal declaration to review their status of compliance with Sections 59, 60 and 61 of the Financial Services Act 2013 which came into effect on 30 June 2013, on their fulfilment of the minimum criteria of a "fit and proper person". Pursuant to the "Fit and Proper Policy for Key Responsible Persons" (the "KRP Policy") of the Company which is in line with BNM Guidelines on "Fit and Proper Criteria" (BNM/RH/GL 018-5), all Directors and the Chief Executive Officer ("CEO"), amongst others, are collectively referred to as Key Responsible Persons ("KRPs"). Such KRPs, prior to or on appointment/reappointment (upon the expiry of their respective BNM term of appointment) and thereafter on an annual basis, will need to declare that they remain "fit and proper".

Board Orientation and Training

Newly appointed Directors will be apprised of their statutory duties and obligations and receive an In-House Orientation and Education Programme which includes presentations by the Senior Management Team. On an on-going basis, the Company organised in-house trainings for the Directors to share the in-sight into the life insurance industry and the Company, among others topics related to new legislations, actuarial and investments. The Company encourages continuous professional development for the benefit of Directors and Directors are kept abreast of the developments in the market place through attendance of relevant education programmes, seminars, talks on relevant subject fields, as well as periodic circulation of business reading materials. The Directors have attended the high level Financial Institutions Directors' Education ("FIDE") Programmes developed by BNM and Perbadanan Insurans Deposit Malaysia, administered by the Iclif Leadership and Governance Centre. Additionally, the Company is a corporate member of the FIDE Forum since 2012, which was established to promote best practice corporate governance standards for Board and Directors conduct, practice and performance in financial institutions in Malaysia, including sound risk management. They also participate in on-going talk and dialogue sessions organised by FIDE Forum. Directors are also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company has made available resources for Directors to receive knowledge in any specific area.

Chairman and the CEO

The positions and roles of the Chairman, Mr Norman Ip and the CEO, YBhg Dato Koh Yaw Hui are distinct and separate, with clear division of responsibility between them to ensure an appropriate balance of authority, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the CEO are not related to each other.

The principal responsibilities of the Chairman include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board and monitoring the quality and timeliness of the flow of information from Management to the Board. The Chairman, with the assistance of the Company Secretary, facilitates the convening of board meetings. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Directors, as well as between the Board and Management. The Chairman promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The CEO manages the Company and oversees its business operations in accordance with the Group's strategy, plans and policies to achieve the corporate performance and financial goals, ensuring, inter alia, operational and organisational efficiency, profit performance and effective risk management.

The implementation of the Board's decisions is carried out with the assistance of the Senior Management Team of the Company. Collectively they are responsible for the day-to-day operations and administration of the Company.

Access to Information

The Board members are provided with relevant and timely information and reports, including background explanatory information relating to matters brought before the Board, forecasts, regular internal financial statements of the Company and explanations of material variances between budgeted and actual results. The Senior Management Team of the Company is invited to attend Board meetings to provide additional insights, views and explanations into the matters being discussed. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team and may request to be furnished with additional information or clarification, particularly in respect of complex and technical issues tabled to the Board. Occasionally, external consultants may be invited to advise or brief the Board.

The Board members have unfettered access to all information within the Company, whether as a full board or in their individual capacity, for the purpose of carrying out their duties and responsibilities.

Nominating Committee

The Nominating Committee comprised the following Directors, all of whom are Independent Non-Executive Directors:

Mr Lee Kong Yip - Chairman
Mr Norman Ip
Yg Bhg Datuk Kamaruddin bin Taib
Yg Bhg Dato' Yeoh Beow Tit
Mr Ng Hon Soon

The members of the Nominating Committee possess the appropriate mix of skills and experience, and are appropriately qualified to discharge their responsibilities.

With the endorsement of the Board, the Nominating Committee has established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory requirements.

The Nominating Committee is entrusted with the responsibility of proposing new nominees for appointment to the Board to ensure that nominations of new Directors are made in the best interest of the Company and its shareholders. It assesses the suitability of the new nominees, by taking into consideration their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company with potential to complement the skills, knowledge and expertise of the Board.

The Nominating Committee makes recommendations to the Board on all such nominations of Directors as well as nominations to fill up Board Committees. The Nominating Committee also recommends the re-appointment of Directors to the Board. In considering the re-appointment, the Nominating Committee will take into account the Directors' attendance and participation at meetings, their expertise and commitment, as well as their contributions at Board discussions and for the effectiveness of the Board.

Apart from nomination/appointment of new Directors or re-appointment of existing Directors, the Nominating Committee is also responsible to recommend and assess the nominee for the position of CEO and re-appointment of existing CEO. The Nominating Committee also oversee the appointment and management succession planning of the Key Senior Officers ("KSOs") of the Company.

The procedures for such nominations and appointments, including re-appointments are in place and duly approved by the Board. These have been drawn up in line with the prescribed regulatory and legal requirements.

On an annual basis, the Nominating Committee reviews the Board's structure, size and composition and makes recommendations to the Board with regards to any changes that are deemed necessary.

The Nominating Committee has in place a mechanism to carry out the Board-approved process for assessing the effectiveness of the Board as a whole and of the Board Committees, and presents its findings to the Board. The Board's profile is reviewed on an annual basis, considering the current needs and aspirations of the Company. No Director was involved in the assessment of his own contribution to the effectiveness of the overall Board.

The Nominating Committee is responsible to oversee performance evaluation of CEO and KSOs. Whenever applicable and consistent with the prescribed Framework, the Nominating Committee's recommendations on the CEO and KSO would be made in consultation with the input from the Chairman of the Audit Committee and Board Risk Committee.

The Nominating Committee is also responsible to ensure all KRPs fulfil the fit and proper requirements, in line with the KRP Policy.

Remuneration Committee

The Remuneration Committee comprised the following Directors, all of whom are Independent Non-Executive Directors:

Mr Lee Kong Yip - Chairman
Mr Norman Ip
Yg Bhg Dato' Yeoh Beow Tit

A Board-approved Framework on Remuneration for Directors, CEO and KSOs is in place. The Remuneration Committee is charged with the responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, the CEO and KSOs. This will ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are not excessive and consistent with the prudent management of the Company's affairs.

The Remuneration Committee performs an annual review of the Directors' fees and submits its recommendations for approval by the Board. No Director was involved in deciding his own remuneration.

Non-Executive Directors are paid Directors' fees which are recommended by the Board for shareholders' approval at the Company's AGM.

Audit Committee

The Audit Committee comprised the following Directors, all of whom are Independent Non-Executive Directors:

Yg Bhg Dato' Yeoh Beow Tit – Chairman
Mr Norman Ip
Yg Bhg Datuk Kamaruddin bin Taib
Mr Lee Kong Yip

The members of the Audit Committee are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The Audit Committee is authorised by the Board to investigate any matter within its terms of reference and has the co-operation of and has full and independent access to the Company's Management, Internal Auditors and External Auditors. The Audit Committee, in performing its functions, has met at least annually with the Internal and External Auditors, without the presence of Management. Adequate resources are made available to the Audit Committee to enable it to discharge its roles and responsibilities. The internal audit function is to provide an independent assurance on the adequacy, integrity, compliance and effectiveness of the Company's overall system of internal controls. The Chief Internal Auditor reports functionally to the Audit Committee and Group Chief Internal Auditor, and administratively to the CEO.

The Audit Committee carried out functions as specified in the Companies Act 1965, Financial Services Act 2013, BNM Guidelines and other relevant guidelines and regulations.

The Audit Committee discharged the following functions:

- (a) Reviewed with the Internal Auditors –
 - (i) their audit plans, their evaluation of the system of internal controls and their audit findings; as well as Management’s response to those findings;
 - (ii) the scope and results of the internal audit procedures and resources needed; and
 - (iii) the assistance given by the officers of the Company to the internal auditors.
- (b) Reviewed with the External Auditors –
 - (i) their audit plans prior to the commencement of the annual audit;
 - (ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors’ report thereon for submission to the Board for consideration and approval thereafter;
 - (iii) the scope and results of the audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them (if any);
 - (iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Management Team;
 - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
 - (vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.
- (c) Reviewed and evaluated, on behalf of the Board, the adequacy of the system of internal control, including accounting controls, taking input from external auditors, internal auditors, risk management and compliance functions.
- (d) Maintained an appropriate relationship with both the external auditors and internal auditors, and met at least annually with the Management, external auditors and internal auditors in separate sessions, to consider any other matters which may be raised privately.
- (e) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.
- (f) Made recommendation to the Board on the re-appointment of the external auditor and their remuneration and terms of engagement.

Board Risk Committee

The Board Risk Committee comprised the following Directors, all of whom are Independent Directors:

Mr Lee Kong Yip – Chairman
Yg Bhg Dato’ Yeoh Beow Tit
Yg Bhg Datuk Kamaruddin bin Taib

The Board Risk Committee supports the Board in the overall risk management oversight of the Company and in ensuring the effectiveness and adequacy of the risk management processes and practices put in place by the Company.

The Board Risk Committee discharged the following functions:

Governance & Oversight

- (a) reviewed the overall risk management philosophy, in line with the overall corporate strategy and risk tolerance set and approved by the Board;
- (b) reviewed and endorsed frameworks, policies, charters, strategies and limits relating to the Company's risk management, investment management, asset-liability management and liability management activities for the Board's approval;
- (c) endorsed the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance functions for the Board's adoption;
- (d) reviewed the appointment, annual performance evaluation and remuneration of the Chief Risk Officer, before submission to the Nominating Committee / Remuneration Committee for endorsement and the Board for approval;
- (e) reviewed and recommended risk tolerance levels (Risk Appetite Statement and Regulatory Limits) for the Board's approval;
- (f) oversight of the establishment and implementation of approved frameworks, policies, charters, strategies and limits; and where required, endorse deviations from approved frameworks and policies;
- (g) reviewed the adequacy of risk management practices for material risks, such as market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks on a regular basis;
- (h) reviewed Management's frameworks, policies and strategies that govern the process for identifying, assessing and managing risks and review Management's performance against these frameworks, policies and strategies;
- (i) reviewed the adequacy of frameworks, policies, strategies and resources for the performance of risk management, investment management, asset-liability management and liability management activities;
- (j) initiated review and action as appropriate for prudent risk management;
- (k) ensured that the risk management function has adequate infrastructure and resources; and that it is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively;
- (l) reviewed the scope, effectiveness and objectivity of the risk management function;

Risk Management

- (m) reviewed reports to monitor and control the Company's risk exposures, which include the Enterprise Risk Dashboard;
- (n) reviewed and endorsed the annual Risk Disclosures for the Board's approval.

Investment, Asset-liability & Liability Management

- (o) reviewed and endorsed the annual strategic asset allocation and tactical asset allocation limits for the Board's approval;
- (p) reviewed and endorsed new risk exposures including new insurance product risk, new asset class, complex instrument/structures and investment transactions within the Limits Policy for the Board's approval;
- (q) reviewed the assets and portfolios in the watchlist; and
- (r) reviewed reports to monitor and control the Company's financial risk exposures, which include the Investment Dashboard.

PART B. MANAGEMENT ACCOUNTABILITY

Whilst the Board is responsible for establishing the appropriate framework and policies within which the Company should operate, the Management is accountable for effecting such policies and responsible for accomplishing the Company's strategic objectives. All framework/policies/charters including the Authority Grid, are annually reviewed by the Board Risk Committee and approved by the Board.

There is a clear division of responsibilities between top management positions. The Company has an organisation structure that is well documented and reviewed for relevancy. It clearly establishes the job description and authority limits of the senior management, line management and executive employees and any significant changes are communicated to the staff.

The Authority Grid of the Company, which essentially is a culmination of the various authority limits delegated to the Board as well as the CEO, is in place and communicated to relevant staff. The Grid covers business strategy and growth (including capital requirements and investment vehicles), people, operational transaction limits (amongst others include the appointment of consultants, donations, write-off and new insurance product risk), balance sheet management and investment transaction limits.

Directors and relevant officers of the Company comply with the disclosure requirements and avoid conflicts of interest as enshrined in the Companies Act 1965 and Financial Services Act 2013. All tender, investment activities and related party transactions of the Company were conducted at arm's length, on reasonable commercial terms and in the ordinary course of business.

All corporate policies relating to investment, claims, reinsurance, claims management and risk management as referred to in the Framework were approved by the Board and reviewed accordingly to keep abreast with changes.

PART C. CORPORATE INDEPENDENCE

The Company has met all the requirements of BNM Guidelines on "Related Party Transactions" (BNM/RH/GL 018-6), the Malaysian Financial Reporting Standard ("MFRS") 124: Related Party Disclosure and Financial Services Act 2013 in respect of related party transactions. The Company has implemented Policy and Procedures on Related Party Transactions covering the definitions of related party transactions and related parties, and the authorities and procedures for approving, monitoring, and reporting of such transactions. All material related party transactions are disclosed in the audited financial statements in accordance with MFRS 124; please refer to Note 31 in the Company's financial statements. The Board has set a more stringent requirement, in that all related party transactions irrespective of materiality must be submitted to the AC for review prior to their submission to the Board for approval/notation.

PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

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

In terms of segregation of duties, procedures are in place to ensure that staff are not assigned with potential conflicting responsibilities, relating to, amongst others, approvals, disbursements and administration of policies, execution and recording of investment matters, operational and internal audit/compliance functions, execution and custody of title documents and underwriting and credit control.

The investment limits that have considered the limits pursuant to BNM's Guidelines on "Risk-Based Capital Framework for Insurers" (BNM/RH/GL 003-24) are in place to contain the Company's investment exposure. In addition, investment transactions are governed by the requirements set out in the Authority Grid. Both investment limits and transactions are observed at all times by the Investment Department and monitored independently by the Risk Management & Compliance Department.

A Reinsurance Management Strategy ("RMS") for the insurance risks covered by the Company is in place. The RMS defines the responsibility of the Board/Management in managing and operating the reinsurance programme. Ceding of risks must comply with the Company's approved framework and waivers from the Company's holding company are required for breaches of limits.

All new life insurance products are governed by the Company's Life Insurance Product Pricing Policy. All products launched by the Company will require the prior approval of a Management Committee and Group Management Team. All new life insurance products launched in 2015 have been reviewed and signed-off by the Head of Product Pricing. A product risk assessment also forms part of the process for new product approvals which includes considerations on risks relating to pricing, investment, marketing and support for the product. The Board Risk Committee is updated on the new products on quarterly basis.

Actuarial Department, together with Investment and Risk Management Departments, conducts half-yearly stress tests to ascertain the Company's financial condition under various risk scenarios.

The Directors, CEO and Senior Management Team of the Company are committed to maintaining a risk-conscious culture in the Company. The Company has adopted its holding company's Enterprise Risk Management Framework and other supplementary risk management frameworks, and they provide broad guiding principles and the minimum standards on risk management. The Framework also affirms the role and responsibilities for risk management and establishes the monitoring and reporting requirements, which are all aimed at embedding sound risk management practices and culture within the business and ensuring that the Company continues to expand its business with the right risk management discipline, practices and processes in place. The Company has also established an Information Security Policy and related standards and guidelines to protect the confidentiality, integrity and availability of the Company's data.

The Compliance Matrix and Compliance Requirements Self-Assessment are tools to assist the respective Head of Departments in conducting self-assessment on the effectiveness of the compliance procedures and identification of compliance gaps. The Risk and Control Self Assessment process that is in place enables the various functions to identify and assess the management of risks and effectiveness of internal controls of the Company. Further, the Company has established its risk appetite statement, which is reviewed annually.

Regulatory breaches are consolidated on a quarterly basis and updated to the Board Risk Committee on bi-monthly basis. The operational incident reporting has enabled the Company to take appropriate corrective actions and there is a process in place to collate statistics of Key Risk Indicators for BNM reporting on a regular basis through Operational Risk Integrated Online Network (ORION).

The disclosures of the Company's risk management policies are set out under Note 33 in the Company's financial statements.

The Company has in place robust Business Continuity Management practices, with adequate facility for business resumptions. Disaster recovery and business continuity testing are carried out semi-annually and annually, respectively.

Internal Audit

The Company has an Internal Audit Department, which assists the Audit Committee in discharging its duties and responsibilities. The requirements of the BNM Guidelines on "Internal Audit Function of Licensed Institutions" (BNM/RH/GL 013-4) have been met. The Audit Committee reviews the yearly internal audit plan and the audit reports as well as the follow-up actions on audit observations made by the internal auditors.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective actions, where necessary, are taken in a timely manner. All audit reports are submitted to the Audit Committee, CEO and Management of the unit being audited within one month of completion of audit. Audit findings and recommendations are communicated to the Senior Management Team and closely monitored for resolution. The activities of the Audit Committee including number of Audit Committee meetings held in a year and details of attendance of each individual member are submitted annually to BNM.

PART E. PUBLIC ACCOUNTABILITY

The Company recognises that it is responsible for maintaining a strong public accountability and promotion of fair practices. It has in place procedures and operational policies which are designed to ensure compliance with the "Provisions Relating To Policies" under Section 128 of the Financial Services Act 2013 (as well as Schedule 8).

The Company has adopted a Code of Ethics and Conduct as well as other internal policies which set out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical conduct and professional integrity. The Code of Ethics and Conduct also provides guidance on areas such as the Company's position against conflict of interest and the appropriate disclosures to be made, misuse of position, misuse of information, maintaining completeness, accuracy and confidentiality of information, and fair and equitable treatment to all policy owners and other stakeholders. The Code of Ethics and Conduct is available on the Company's staff intranet.

The members of the field force similarly adhere to the circulars and directives in the form of Agency Rules & Regulations issued by the Company, the applicable Code of Ethics and Conduct issued by LIAM as well as requirements set out by BNM.

For the general public and policy owners' convenience, information about the Company, products, customer service and ChildrenCare (a corporate social initiative of the Company) is made available on the Great Eastern website at www.greateasternlife.com. This user-friendly website enables policy owners to check on the status of their policy via eConnect, a useful and informative online portal for policy owners to reach the Company any time of the day.

Members of the public are made aware of avenues for which they can appeal against the Company's practices or decisions by alerting them, via the policy contracts, to the existence of the Financial Mediation Bureau and BNM's Customer Services Bureau. This is in compliance with the requirements of BNM Guidelines on "Claims Settlement Practices (Consolidated)" (BNM/RH/GL 003-9). The Company has in place a Treating Customer Fairly ("TCF") Policy that defines the responsibilities of Board and Management in ensuring that customers are treated fairly when dealing with the Company. The Financial Services (Financial Ombudsmen Scheme) Regulations 2015, gazetted on 11 September 2015 aims to enhance the financial dispute resolution arrangements for consumers' protection. The Financial Ombudsmen Scheme is expected to commence its operation in the second quarter of 2016.

The BNM Guidelines on "Unfair Practices in Insurance Business" (BNM/RH/GL 003-6) was issued as part of a cohesive effort to promote higher standards of transparency, professionalism, greater market discipline and accountability in the conduct of the insurance business and protection of policyholders. The Company has implemented measures to enhance compliance of requirements prescribed in BNM/RH/GL 003-6. As part of its commitment to provide effective and fair services, a Complaint Handling Unit has been established in accordance with BNM Guideline on "Complaints Handling" (BNM/RH/GL 000-4) where the unit acts as a single point of contact for customers to lodge a complaint as well as to ensure that complaints are resolved in a fair and consistent manner.

All sales illustrations, marketing materials and policy contracts for products are in compliance with the regulatory requirements and filed with BNM.

BNM had issued the "Life Insurance and Family Takaful Framework" ("Framework") setting out initiatives to support the long-term sustainable growth and development of the life insurance and family takaful industry with increased value proposition to consumers. The initiatives are expected to spur the innovation of a wider range of both products and delivery channels to suit diverse consumer needs, towards meeting the broader objective of reducing the protection gap in Malaysia. The Bank will issue standards under the FSA to give effect to each initiative over the course of the Framework's development plan and the Company will work towards aligning its business strategies and operational framework for effective implementation of the initiatives.

With the establishment of an Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") Policy by the Company in ensuring compliance with relevant AML/CFT national laws, regulations and guidelines, the Company is constantly enhancing its AML/CFT measures, focusing on areas relating to Know Your Customer/Customer Due Diligence ("KYC/CDD") at the stage of acceptance of new business. The robust KYC/CDD standards and processes in place act as a barrier in safeguarding the Company's interest by minimising the risk for the Company from being used as a platform for money laundering or terrorist financing activities.

A Whistleblowing Policy is in place for staff and external parties to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits.

PART F. FINANCIAL REPORTING

The Board has overall oversight responsibility, and exercises due care and diligence in ensuring that the Company's accounting records are properly kept. It also ensures that the Company's financial statements are prepared and audited in accordance with approved accounting standards and in compliance with the regulatory and statutory requirements in Malaysia so as to give a true and fair view of the Company's financial position.

The Board and the Audit Committee are provided with regular comprehensive information and analyses on the financial reports together with explanation for any material variances of the financial data of the Company.

On a monthly basis, the business and operational performance reports are submitted to the Senior Management Team for review so that necessary remedial actions can be taken on any shortfall or variances against budgets. Minutes of the various risk oversight committees are tabled at the Board Risk Committee and Asset Liability Committee (management committee), as appropriate. The Board also take note of the decisions and salient matters deliberated by the Board or Management Committees through the minutes of their meetings which are tabled to the Board.

The abridged financial statements of the Company are published in the national press and copies are also displayed at all branch offices and posted on the Company's website.

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