



LPI CAPITAL BHD
(4688-D)



PREMIER
INSURANCE
SOLUTIONS
PROVIDER

ANNUAL REPORT 2018

OUR COVER STORY



The central element of this cover is a diamond shot from the top. The multi-faceted nature of the diamond, its status as a precious stone and its durability as one of the hardest elements in nature reflects our perception of what we offer to our customers. Lonpac is a premier insurance solutions provider which is similarly multi-faceted and that creates long-term and sustainable value to our clients. The protection and peace of mind that we provide our clients are therefore as precious as a diamond, and just as long-lasting.

58TH FIFTY-EIGHTH ANNUAL GENERAL MEETING

Sabah Room, Basement II
Shangri-La Hotel Kuala Lumpur
11 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Wednesday
27 March 2019

11.00 a.m.



This annual report is available on
the web at **www.lpicapital.com**



To contact us, please
refer to the Corporate
Information on page 4
and the Group Corporate
Directory on pages 300
to 302

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VISION

TO BE THE PREFERRED
PREMIER INSURANCE
SOLUTIONS PROVIDER.

CORPORATE MISSION

Our primary focus is to provide innovative insurance products supported by customer-centric service excellence. We aim to provide our insured an easy channel for all their insurance needs.

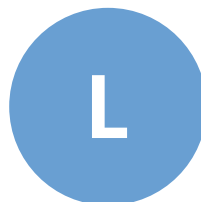
Our brand is representative of the way we conduct ourselves and the approach to organisational development. We aim to create an environment for our people that is fair, caring and accountable.

Our drive is to create value for our stakeholders, anchored to our vision and corporate mission. We strive for sustainability through financial and technical strength based on recognised and proven standards.

HOW WE CREATE VALUE

OUR CORE VALUES

Represent the way we conduct ourselves and our responsibilities to our insured, our stakeholders, our people and our community.



ASPIRE TO BE THE LEADER IN THE INSURANCE INDUSTRY IN MALAYSIA AND IN THE REGION.



COMMITMENT TO OPERATIONAL EXCELLENCE GUIDED BY INTEGRITY AND PROFESSIONALISM.



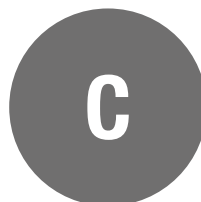
CREATING NEW AND INNOVATIVE MARKET-RELEVANT INSURANCE PRODUCTS.



PROVIDING A FAIR, CARING AND MERIT BASED WORKING ENVIRONMENT.



ADOPTING A PROACTIVE AND ACCOUNTABLE APPROACH TO STAKEHOLDERS.



CRAFTING A PREMIER INSURANCE BRAND IDENTIFIED FOR GOOD CORPORATE GOVERNANCE AND CORPORATE RESPONSIBILITY.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Independent Non-Executive Chairman

PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP,
DPMJ, Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia); EFMIM (M'sia);
Fellow, AICB; FCIB (UK); FGIA (Aust);
CCMI (UK); FICM (UK);
FInstAM (UK); D.Univ *Sunway h.c.*

Mr. Tee Choon Yeow

Independent Non-Executive Co-Chairman

B.Com.; CA (NZ); CA (M'sia); FCPA (Aust)

Mr. Tan Kok Guan

Chief Executive Officer/ Executive Director

Chartered Insurer
B.Sc. (Hons.); MBA; ACII; AMII

Mr. Lee Chin Guan

Independent Non-Executive Director

B.Sc. (Hons); BCL (Oxon);
LLM (Cantab); JD (Chicago-Kent);
Barrister-at-Law (Middle Temple)

Mr. Quah Poh Keat

Non-Independent Non-Executive Director

FCCA (UK); CA (M'sia); CPA (M'sia);
ACMA (UK); Fellow MIT (M'sia)

Ms. Chan Kwai Hoe

Independent Non-Executive Director

BEc (Hons) Analytical Econs

Ms. Soo Chow Lai

Independent Non-Executive Director

BA Econs (Hons)

COMPANY SECRETARY

Ms. Kong Thian Mee
Chartered Secretary (FCIS)
MAICSA 7024050
Tel No. : (03) 2262 8688
Email : lpicosec@lonpac.com

REGISTERED OFFICE

6th Floor, Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel No. : (03) 2262 8688/2723 7888
Fax No. : (03) 2078 7455

AUDITORS

Messrs KPMG PLT
Chartered Accountants
Level 10, KPMG Tower,
8, First Avenue,
Bandar Utama,
47800 Petaling Jaya,
Selangor, Malaysia.
Tel No. : (03) 7721 3388
Fax No. : (03) 7721 3399

SHARE REGISTRAR

Tricor Investor & Issuing House Services
Sdn Bhd

Office:
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.
Tel No. : (03) 2783 9299
Fax No. : (03) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Tricor Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa
Malaysia Securities Berhad
Listing Date : 8 January 1993
Stock Name : LPI
Stock Code : 8621

HEAD OFFICE

6th Floor, Bangunan Public Bank,
6, Jalan Sultan Sulaiman,
50000 Kuala Lumpur, Malaysia.
Tel No. : (03) 2262 8688/ 2723 7888
Fax No. : (03) 2078 7455

WEBSITE

www.lpicapital.com

INVESTOR RELATIONS

Mr. Tan Kok Guan
Chief Executive Officer/ Executive Director
LPI Capital Bhd
Tel No. : (03) 2034 2670
Email : kgtan@lonpac.com

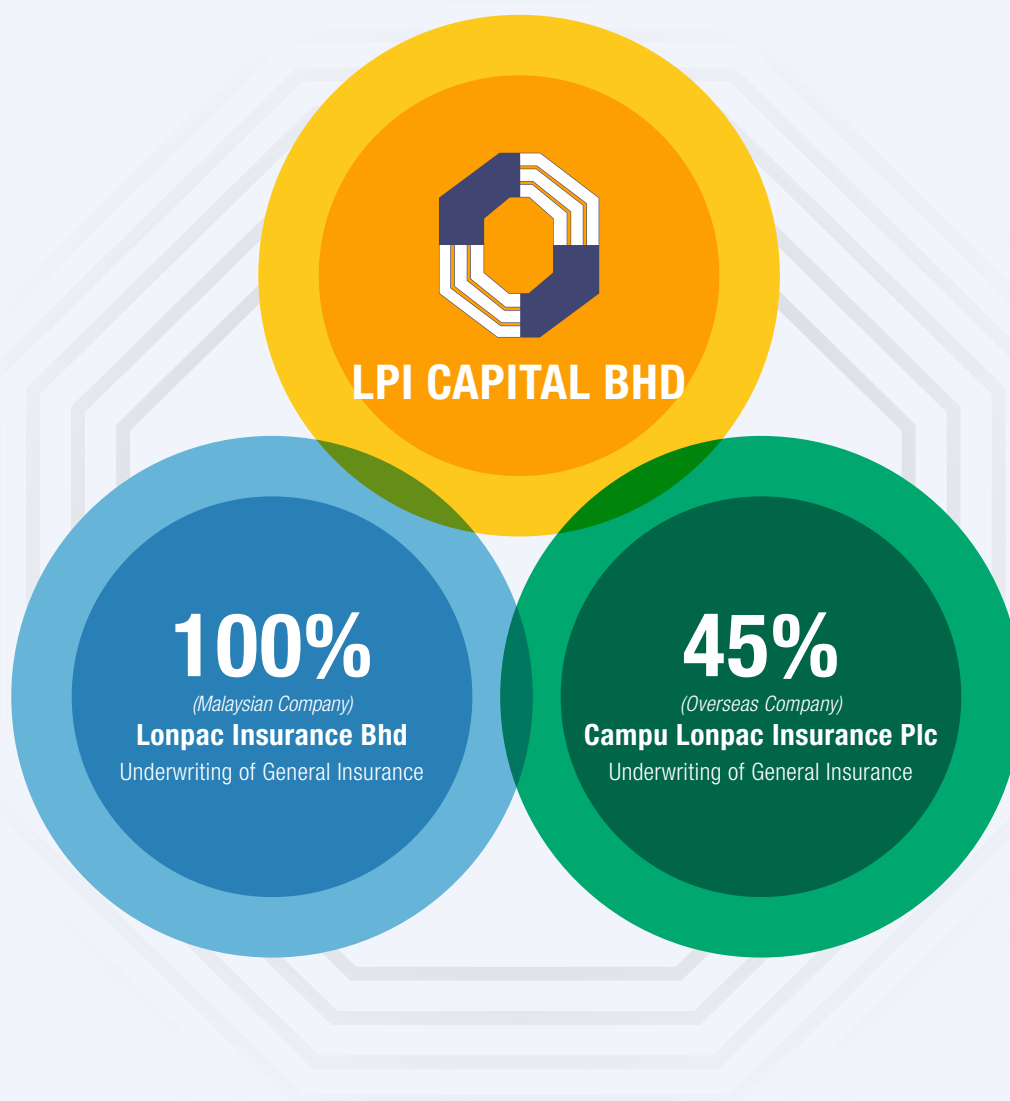
Mr. Looi Kong Meng
Chief Executive Officer/ Executive Director
Lonpac Insurance Bhd
Tel No. : (03) 2262 8620
Email : kmlloi@lonpac.com

AGM HELPDESK

Tel No. : (03) 2262 8687/ 2262 8686/
2262 8675
Fax No. : (03) 2078 7455
Email : lpicosec@lonpac.com

GROUP CORPORATE STRUCTURE

As at 31 December 2018



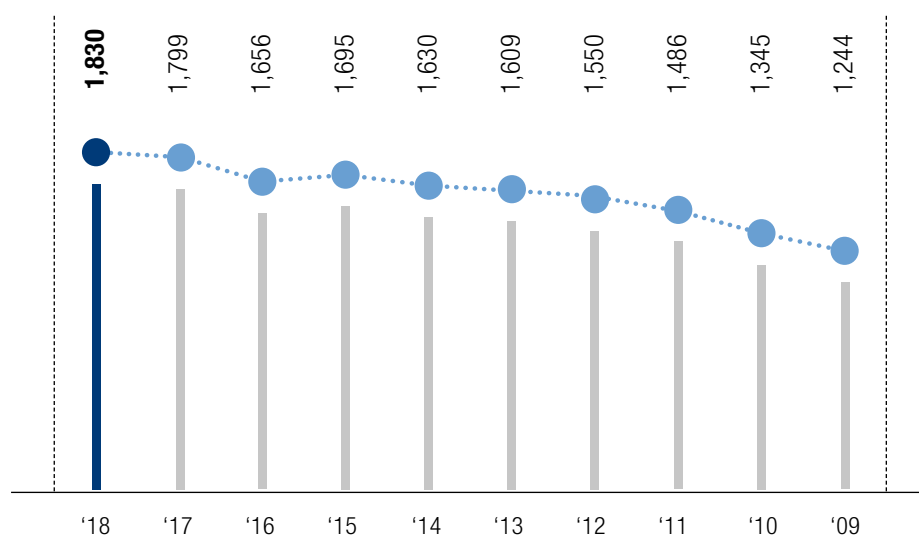
NOTES:

- The companies reflected above are operating subsidiary/ associated companies.
- The full list of companies under the LPI Group is set out in Notes 5 and 6 to the Financial Statements on pages 191 to 192 of this Annual Report.

NON-FINANCIAL HIGHLIGHT

Gross Written Premiums Income per Employee

(RM'000)



No. of Employees

803

No. of Policies Issued
per Employee

2,554



**THE
BRANDLAUREATE
BESTBRANDS
AWARDS
2017-2018**
for Most Valuable
Brand in General
Insurance

by Asia Pacific Brands Foundation
3 May 2018



**2 MOST
IMPROVED PLCs
(MALAYSIA)
AWARD
– 2ND ASEAN
CORPORATE
GOVERNANCE
AWARDS
CEREMONY 2018**

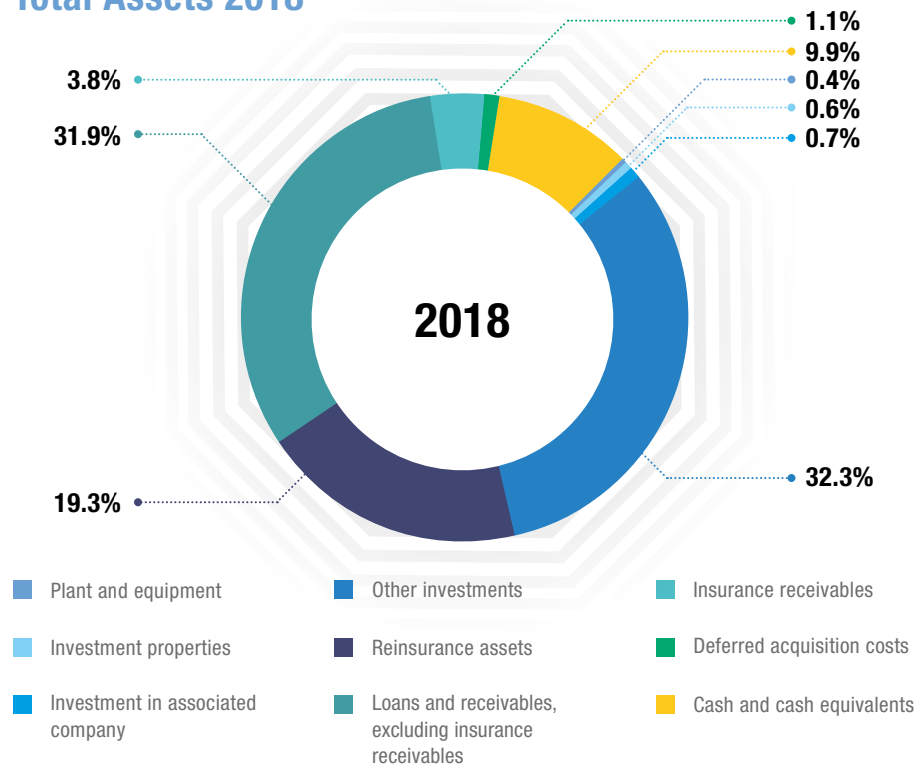
by Minority Shareholders Watch Group
21 November 2018

2018

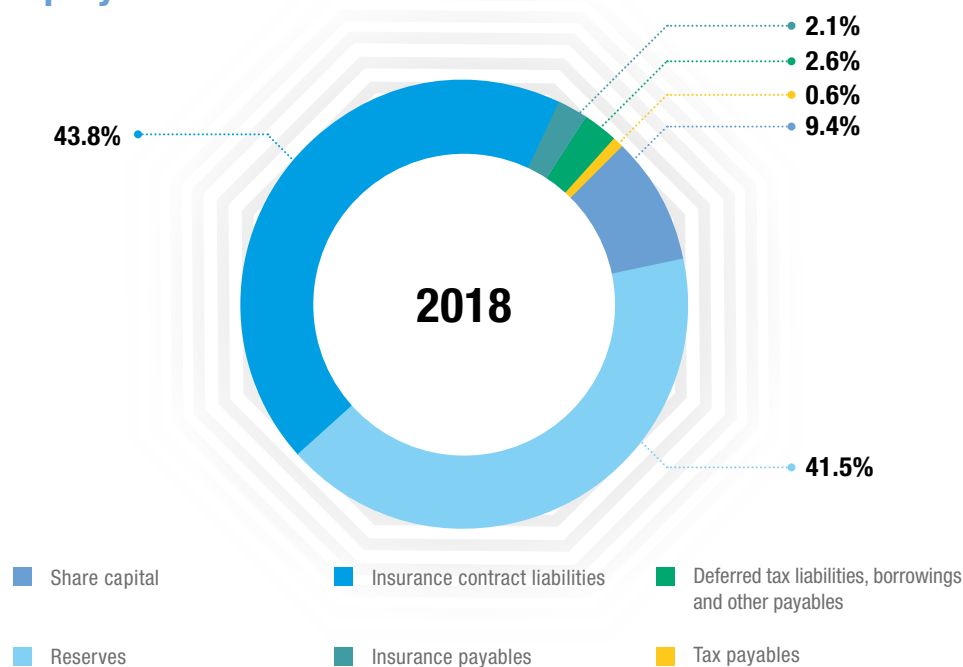
AT A GLANCE

FINANCIAL HIGHLIGHT

Total Assets 2018



Equity & Liabilities 2018



Gross Written Premiums

RM

1.5 billion

Profit Before Tax

RM

406.0 million

Return on Equity

14.6%

Return on Assets

7.4%

Net Dividend per share

68.0 sen

2018

AT A GLANCE

CORPORATE MILESTONES SINCE 1962

1962

On 24 May 1962, London and Pacific Insurance Company Limited ("LPICL") was incorporated as a private limited company.

1963

On 9 April 1963, LPICL was registered as an approved insurer under the Malaysian Insurance Act, 1963.

1965

LPICL paid its 1st dividend of 25% tax exempt per ordinary share of RM1.00 each.

1966

LPICL changed its name to London and Pacific Insurance Company Sdn Bhd ("LPICSB") with effect from 15 April 1966.

1972

The share capital increased to RM6,000,000 ordinary shares of RM1.00 each from an initial paid-up capital of RM1,000,000 in 1963, through 1:2 bonus issue and share allotment.

LPICSB was converted into a public company and changed its name to London and Pacific Insurance Company Berhad ("LPICB") on 30 December 1972.

1973

The share capital increased to RM8,000,000 ordinary shares of RM1.00 each through 1:3 rights issue at RM1.00.

1980

The share capital of LPICB increased to RM11,000,000 ordinary shares of RM1.00 each through allotment of 7½% Convertible Preference Shares of RM0.50 each.

1992

The share capital increased to RM19,800,000 ordinary shares of RM1.00 each through 4:5 bonus issue.

1993

On 8 January 1993, LPICB was listed on the Second Board of Bursa Securities, then known as the Kuala Lumpur Stock Exchange.

1st RM10 million annual profit before tax with RM13.9 million profit before tax in the year.

1994

Lonpac, a wholly-owned subsidiary of LPICB, was incorporated on 12 July 1994.

The share capital increased to RM29,700,000 ordinary shares of RM1.00 each through 1:2 bonus issue.

1996

On 15 April 1996, LPICB moved its Head Office to Bangunan Public Bank, No. 6, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.

On 15 August 1996, LPICB was appointed by the Ministry of Human Resources to administer an insurance scheme – Foreign Workers Compensation Scheme, to provide coverage for industrial accident to foreign workers as provided under Section 26(2) of the Workmen's Compensation Act 1952.

The share capital increased to RM53,460,000 ordinary shares of RM1.00 each through 2:5 bonus issue and 2:5 rights issue at RM7.00.

1997

The listing of LPICB shares was transferred to the Main Market (then known as Main Board) of Bursa Securities on 17 January 1997.

On 15 May 1997, LPICB signed a reinsurance agreement with a panel of reinsurers on the Foreign Workers Compensation Scheme, witnessed by Dato' Lim Ah Lek, Minister of Human Resources.

The new Corporate Logo was launched on 22 May 1997 in conjunction with LPICB's 35th Anniversary.

1999

The share capital increased to RM106,920,000 ordinary shares of RM1.00 each through 1:1 bonus issue.

Exercised a rationalisation scheme on 1 May 1999 to transfer the entire insurance business from LPICB to Lonpac.

LPICB changed its name to LPI Capital Bhd on 3 May 1999.

2018

AT A GLANCE

CORPORATE MILESTONES SINCE 1962

2000

The share capital increased to RM107,355,000 ordinary shares of RM1.00 each through Employees Share Option Scheme ("ESOS") exercise.

2001

The share capital increased to RM107,398,000 ordinary shares of RM1.00 each through ESOS exercise.

2002

On 7 February 2002, Lompac celebrated a new business partnership with NIPPONKOA Insurance Co. Ltd ("NIPPONKOA"), witnessed by Dato' Chan Kong Choy, Deputy Minister of Finance.

The share capital increased to RM118,137,000 ordinary shares of RM1.00 each through subscription of new ordinary shares by NIPPONKOA.

2003

The share capital increased to RM120,159,000 ordinary shares of RM1.00 each through ESOS exercise.

2004

Official opening of Customer Service Centre on 29 July 2004.

The share capital increased to RM128,901,000 ordinary shares of RM1.00 each through ESOS exercise.

2005

The share capital increased to RM138,723,000 ordinary shares of RM1.00 each through ESOS exercise.

1st RM100 million annual profit before tax with RM103.6 million profit before tax in the year.

2007

LPI held 45% interest in a Cambodian insurance company named Campu Lompac Insurance Plc. This is for the purpose of carrying out general insurance business in Cambodia, pursuant to approvals received from Bank Negara Malaysia and relevant Cambodian regulatory authorities.

2009

Total assets surpassed RM1 billion for the first time.

2010

The share capital increased to RM221,323,980 ordinary shares of RM1.00 each through 1:2 bonus issue and 1:10 rights issue at RM7.00.

Lompac became the first Malaysian company to win the General Insurance Company of the Year Award at the 14th Asia Insurance Industry Awards 2010.

2012

1st RM1 billion annual gross premium income with RM1.03 billion gross premium income in the year.

2013

Total assets surpassed RM3 billion for the first time.

2014

1st RM300 million annual profit before tax with RM341.9 million profit before tax in the year.

2015

The share capital increased to RM331,985,808 ordinary shares of RM1.00 each through 1:2 bonus issue.

2016

1st RM500 million annual profit before tax with RM518.9 million profit before tax in the year.

2017

Underwriting profit exceeded RM300 million to record RM305.8 million underwriting profit in the year.

2018

The share capital increased to RM398,382,753 ordinary shares of RM1.00 each through 1:5 bonus issue.

2018

AT A GLANCE

AWARDS AND RECOGNITION

The awards and recognition conferred to LPI Capital Bhd (“LPI”) and its wholly-owned subsidiary Lonpac Insurance Bhd (“Lonpac”) are affirmations of the Group’s commitment towards excellence, guided by its Vision “To be the Preferred Premier Insurance Solutions Provider”.

1

THE BRANDLAUREATE BESTBRANDS AWARDS 2017-2018 for Most Valuable Brand in General Insurance

by Asia Pacific Brands Foundation
3 May 2018

Lonpac was conferred The BrandLaureate BestBrands Awards 2017-2018 for Most Valuable Brand in General Insurance by the Asia Pacific Brands Foundation. Recipients of The BrandLaureate Most Valuable Brand Awards are market leaders with international footprints. Lonpac has won The BrandLaureate awards for the 8th consecutive year since 2011.



2018

AT A GLANCE

AWARDS AND RECOGNITION

2

2 MOST IMPROVED PLCs (MALAYSIA) AWARD – 2ND ASEAN CORPORATE GOVERNANCE AWARDS CEREMONY 2018

by Minority Shareholders Watch Group
21 November 2018

LPI was conferred 2 Most Improved PLCs (Malaysia) Award at the 2nd ASEAN Corporate Governance Awards Ceremony 2018. The awards were presented to the ASEAN public listed companies (“PLCs”) that had achieved excellence in corporate governance best practices based on the ASEAN CG Scorecard assessment.



LPI Capital 1Q net profit up 2.7%

BY SURIN MURUGIAN

KUALA LUMPUR: LPI Capital Bhd's net profit rose 2.7% to RM72.5 million in the first quarter ended March 31, 2018 (1QFY18), from RM70.56 million a year ago, mainly contributed by its wholly-owned insurance arm Lionpac Insurance Bhd, which saw its gross premium income expand 16.2% year-on-year (y-o-y) to RM410.2 million.

"Geographically, approximately 100% of the group's total pre-tax profit in 1QFY18 was generated in Malaysia," LPI said.

Earnings per share also came in higher at

21.84 sen in 1QFY18 compared with 21.25 sen in 1QFY17.

Quarterly revenue grew 9.6% to RM381 million from RM347.61 million a year ago, mainly driven by growth in gross earned premium of 9.9% y-o-y from its general insurance segment.

In a filing with Bursa Malaysia yesterday, LPI said this was the result of its organic growth as it continued to build market share with its diversified distribution channels, especially strong agency network. "Investment holding segment increased marginally to RM16.1 million from RM16 million

in 1QFY17 due to higher dividend income received," it added.

On prospects, LPI said it will continue to build its market share through organic growth strategy.

"We will seize the opportunities presented by the new liberalised regime to further strengthen our market position particularly through new product development and the implementation of the new digital strategy."

"We hope that with the implementation of our strategic plans, we can report more favourable performance for the subsequent quarters despite the challenging environment," it added.

次季淨利雖跌 倫平資本仍派息26仙

(吉隆坡9日訊) 普隆金融進入第2階段，市場持續面對強烈競爭。倫平資本 (LPI, 8621, 主要板金融) 截至6月底2018財年次季淨利按年減少3.4%至6574萬令吉，但仍宣布每股派息26仙。

倫平資本創辦人兼集團主席丹斯里鄭鴻標博士指出，由於公司業績表現佳，將在8月1日派發每股26仙中期股息，除款日定在下周五(20日)。

鄭鴻標說：“是次派息總值3億360萬令吉，相等於股息派發率74%。這筆股息派發也比去年8月份所派發的股息規模，即8960萬令吉高出15.6%。”

倫平資本次季淨利雖較前降0.1%，至6574萬令吉。

該集團其實子公司倫平保險 (Lionpac Insurance) 次季總保費收入跌1.1%至31.26萬令吉。虧損比率 (ratio incurred ratio) 增至41%。

該集團曾對淨利淨額1

億3874萬令吉，淨利按年減少0.3%，營業總額4.8%至7.24萬令吉。淨股本回報率 (ROE) 為0.8%。

有信心下半年會好

“倫平保險前半年稅前溢利升2.1%至1.16萬令吉。儘管市場競爭激烈，但保險仍繼續擴大其市場份額。總保費收入起8.9%至7.24萬令吉。”

他說，儘管近期因貿易戰導致全球經濟環境變得不穩，但目前為止，我國



鄭鴻標

經濟仍保持彈性，有信心在下半年交出可觀的表現。

“集團將繼續實施謹慎的業務策略，以進一步鞏固市場地位，并改善業績。”

鄭鴻標不退休 連任倫平主席

【吉隆坡9日電】倫平資本 (LPI, 8621, 主要板金融) 今天宣佈連任鄭鴻標為集團主席及董事會主席。鄭鴻標將繼續領導集團，並負責執行集團業務發展策略。



鄭鴻標 (左一) 連任倫平主席，並獲選為董事會主席。圖為倫平資本董事會成員合影。

鄭鴻標在會上表示，集團將繼續致力於提升競爭力，並透過創新產品及服務，為客戶提供最佳體驗。他強調，集團將繼續投資於人才發展及技術研發，以應對不斷變化的市場環境。

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LPI Capital to grow Cambodia, Singapore ops

It is also preparing for the phased insurance liberalisation in Malaysia.

KUALA LUMPUR: LPI Capital Bhd is looking to expand its operations in Cambodia and Singapore, and is also preparing for the phased insurance liberalisation in Malaysia. The group's chairman, Tan Sri Chong Hong Pao, said the company is currently in the process of conducting due diligence on potential investment opportunities in these markets. He added that the company is also working on developing new products and services to cater to the needs of customers in these regions. The chairman also mentioned that the company is preparing for the phased insurance liberalisation in Malaysia, which is expected to create a more competitive environment for insurance companies. He said that the company is confident that it will be able to maintain its market position and continue to grow its business in Malaysia.

LPI Capital 2Q18 net profit slides 3.4%

by SHAHEERA AZNAM SHAH

LPI Capital Bhd's net profit fell 3.4% for the second quarter ended June 30, 2018 (2QFY18), to RM68.46 million from RM70.56 million a year ago, due to the liberalised environment and stiff competition in the insurance sector.

The general insurance firm's revenue grew slightly by 0.1% year-on-year (YoY) to RM351.05 million as a result of higher income from long-term investment segment.

LPI Group founder and group chairman Tan Sri Chong Hong Pao noted the new competitive environment has compressed the profit margin of industry players.

"The country's general insurance industry continues to see stiff competition with the Phase 2 of market liberalisation in full force as players take advantage of the liberalised environment to build their respective market share."

"LPI Group has worked to compensate the lower margin with a bigger market

share," he said in a statement yesterday.

Additionally, LPI said the decline in net profit was also derived from lower gains from its investment holding.

"The investment holding segment has recorded a decrease of 70.2% compared to the previous corresponding quarter mainly due to the non-recurring gains of RM1.5 million from the sale of equity investment in 2017," it said in an exchange filing yesterday.

The investment holding segment posted a lower revenue of RM1.7 million against RM2.1 million a year-ago due to lower dividend income received.

LPI's net earned premium rose 5.9% YoY to RM225.1 million from RM212.5 million, while the general insurance segment posted a marginally higher profit of RM87.1 million against RM85 million last year.

The underwriting profit was maintained at RM70.6 million due to higher claims incurred.

For the first half of 2018

(1H18), LPI's net profit dropped 0.3% to RM126.34 million from RM138.63 million a year ago, while its revenue grew 4.8% to RM734.05 million from RM709.23 million.

The company's net return on equity was lower by 6.9% in 1H18, compared to 7.6% previously, partly due to its enlarged equity base, while earnings per share registered at 34.7 sen.

It proposed an interim dividend of 26 sen per share, amounting to RM136 million for the period under review, to be paid on Aug 1, 2018.

Meanwhile, Lionpac Insurance Bhd's gross premium income fell 1.1% YoY to RM303.8 million from RM307.2 million last year, while its net earned premium income rose 5.9% to RM225.1 million from RM212.5 million.

LPI's wholly-owned subsidiary's underwriting profit was maintained at RM70.6 million.

Tan said Lionpac has managed to continue growing its market share amid the com-

petitive market conditions, with gross premium income showing a strong growth in 1H18 against the same period last year.

"In 1H18, Lionpac reported a 2.1% growth in its profit before tax from RM139.8 million registered in the previous corresponding period, to RM163.3 million," he said.

Its claims-incurred ratio for 2Q18 climbed to 41% from 39.7%, while the combined ratio also increased slightly to 68.7% from 66.8%.

Tan said LPI is operating in full force to compensate the lower margin and bigger market share derived from the market liberalisation within the insurance industry.

"Malaysia's economy has remained resilient amid the volatile global economic environment arising from trade conflicts."

"We are confident it will sustain in the 2018. The group will continue to implement its prudent business strategies to further strengthen its market position and improve its performance," he said.

淨保費收入增 1.6%

倫平第三季賺 9181 万

(吉隆坡 12 日訊) 普隆金融完成披露，倫平資本 (LPI, 8621, 主要板金融) 截至 9 月底第三季，淨利潤 9181 萬 9180 万 9000 令吉，每股派 23.04 仙。

倫平資本第三季淨利潤

為 9181 萬 9180 万 9000 令吉

較去年同期增加 1.6%

較去年同期增加 1.6%

淨保費收入增 1.6%

淨保費收入增 1.6%

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2018 AT A GLANCE

MEDIA HIGHLIGHTS 2018

LPI announces dividend and bonus issue

PETALING JAYA: LPI Capital Bhd has proposed a bonus issue on the basis of one bonus share for every five existing shares.

In a filing with Bursa Malaysia yesterday, the insurance company said the bonus issue would result in the issuance of up to 66.4 million bonus shares.

It said the bonus issue is aimed at rewarding existing shareholders for their loyalty and continuous support as well as increasing the share capital of the company to a level that will better reflect the current scale of operations and assets employed by LPI and its subsidiaries.

LPI said the bonus issue will be capitalised at RM3.26 for each bonus share with RM6.26 per share the share premium account of the com-

pany, while the remaining RM6.26 will be from its retained earnings.

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the proposed bonus issue is expected to be completed in the second quarter of 2018, said the company.

In a separate statement to the local bourse yesterday, LPI announced that it is declaring a second interim single-quarter dividend of 45 sen per share, to be paid on Feb 6.

Separately, LPI announced that its net profit for its fourth quarter ended Dec 31, 2017 rose 1.9% to RM179.7 million previously, mainly due to the non-recurring gain of RM130.4 million from the sale of equity investment in 2017.

Revenue during the quarter increased to RM365.4 million from RM335.5 million a year earlier.

The company said revenue was mainly driven by growth in gross earned premium of RM17.7 million or 1.2% from its general insurance segment.

For its financial year ended Dec 31, 2017, meanwhile, LPI's net profit dropped to RM313.7 million from RM307.2 million in the previous corresponding period.

The decrease came from the investment holding segment, which recorded a lower profit before tax of RM28.4 million from RM179.7 million previously, mainly due to the non-recurring gain of RM130.4 million from the sale of equity investment in 2017.

Revenue in 2017, meanwhile, increased to RM1.47 billion from RM1.39 billion a year earlier, which was largely contributed by the general insurance segment.

On its prospects for the year ahead, LPI said domestic demand is expected to remain the key source of growth for the company.

"The external sector will provide additional impetus to the economy, benefiting from the improvement in global growth. Overall, the assessment is for growth to remain strong in 2018."

"We are, nevertheless, confident that the group would be able to ride the challenges and take advantage of the opportunities presented to report another favourable performance for 2018."

LPI Capital plans one-for-five bonus issue, 45 sen dividend after 4Q profit rises

KUALA LUMPUR: LPI Capital Bhd, which posted a 2% year-on-year (y-o-y) rise in net profit in its final quarter of the financial year 2017 (FY17), is planning a one-for-five bonus issue and a second interim dividend payout of 45 sen per share.

The bonus issue will entail the issuance of up to 66.4 million new shares, on the basis of one bonus share for five existing ones held, on an entitlement date to be fixed. LPI Capital said in a stock exchange filing yesterday.

The bonus shares will be capitalised at RM1 each, with RM6.26 million from the share premium account of the group, and the remainder RM60.14 million from its retained earnings. The bonus issue is expected to be completed in QFY18.

Separately, it said net profit for 4QFY17 ended Dec 31, 2017 rose to RM179.7 million from RM177.9 million in 4QFY16, largely driven by contribution from the general insurance segment, which rose 4.3% y-o-y to RM110.4 million from RM105.8 million. Revenue strengthened 2% y-o-y to RM365.4 million from RM355.6 million.

It said the 45 sen per share interim dividend, to be paid on Feb 6, is in respect of FY17, which will bring its FY17 payout to 72 sen versus FY16's 60 sen.

The group's net profit for the full-year FY17, however, fell 20% y-o-y to RM313.7 million in the previous corresponding quarter, mainly contributed by profit from the general insurance segment, which rose 4.3% to RM179.7 million from RM177.9 million in FY16, compared with RM355.6 million in the same period in FY16.

LPI's full-year net profit dropped 20% to RM313.7 million against RM395.7 million in FY16, mainly due to the absence of recurring gains. Revenue rose 2% to RM1.47 billion from RM1.39 billion previously.

In view of the strong performance of the group, the group has declared a second interim dividend of 45 sen per share, which amounts to RM45.4 million.

Together with the first interim dividend of 27 sen per share amounting to RM27.2 million, which was paid in August 2017, the total dividend for FY17 of RM72.6 million represents 25.2% of the group's net profit attributable to shareholders.

On prospects, the group's founder and chairman Tan Sri Teoh Hong Piew said the



左起为集团主席兼创始人 陈永祥、集团首席执行官 陈永祥。

1 在集团2017年第四季财报中，集团净利润录得1.9%的增幅，主要受惠于一般保险业务表现强劲，带动集团整体盈利上升。

集团主席兼创始人 陈永祥表示，集团将透过派发股息及回购股份，回馈股东的持续支持。

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倫平資本報雙喜 派息45仙再發紅股

(吉隆坡10日訊) 倫平資本 (LPI, 8621, 主要板金融) 截至12月底季末淨利起1.9%，達8300萬令吉，宣布每股派息45仙，同時亦建議派發紅股，回購股本。

同時期營業額起2.2%，录得3億8849萬令吉。

不過，該公司全年淨利跌38.2%，達3.1379萬令吉，主要是2016年售股取得1.51010萬令吉若一次付收益提高了比較基準。若扣除這筆收益，全年淨利維持增長表現。營業額按年增6.7%，達14億7083萬令吉。

公司旗下倫平保險在2017年的

稅前盈餘增10.5%，達3億7220萬令吉，保費收入亦增11.2%至14億2130萬令吉。這是基於該公司持續擴展代理和全球夥伴規模貢獻。

建議以每5股送1紅股

此外，這段期間的淨保費收入增10.8%至8億5920萬令吉；包銷盈利起9.8%，录得3億580萬令吉。倫平保險作為大馬最大房產承保商，受去年11月的檳城水災影響，有4330萬令吉的索賠款額。整體而言，該公司在去年的索賠額僅增0.2%至38.5%。

另外，倫平資本建議以每3股送1紅股規模，發行6639萬7161股紅股。



■ 陳永祥

倫平資本創辦人兼主席陳永祥在文告中指出，這項建議旨在獎勵股東的持續支持，透過擴大股本提高股東的參與度。這也可提

高公司的股票價值，與該

送規模和資產價值相符。

“雖然自由化程序將對保險領域帶來挑戰，但我們有信心公司可應對這些挑戰，從中獲取機會為2018年帶來更佳表現。”

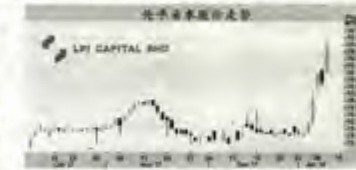
末季淨利微增 倫平5送1紅股

吉隆坡10日訊 倫平資本 (LPI, 8621, 主版金融類) 今天公布的2017財政年度末季 (12月31日結算) 淨利按年增1.9%至8300萬令吉。同時，該公司也建議以5送1比例，派發6640萬股紅股。

配合季末派息，倫平資本還宣佈派發45仙股息。每股派息1.94元。

紅股派發將從今天午間交易一度開始至1月3日，至1月3日全日交易結束。倫平資本董事會主席陳永祥表示，紅股派發將從今天午間交易一度開始至1月3日，至1月3日全日交易結束。倫平資本董事會主席陳永祥表示，紅股派發將從今天午間交易一度開始至1月3日，至1月3日全日交易結束。

然而，在過去一季中，倫平資本的淨利按年增1.9%，達8300萬令吉，主要是2016年售股取得1.51010萬令吉若一次付收益提高了比較基準。若扣除這筆收益，全年淨利維持增長表現。營業額按年增6.7%，達14億7083萬令吉。不過，若



倫平資本今日開市後，股價一度升1.4仙至1.44仙，收市報1.43仙。1月9日開市後，股價一度升1.45仙至1.46仙，收市報1.45仙。1月10日開市後，股價一度升1.46仙至1.47仙，收市報1.46仙。

倫平資本主席陳永祥表示，集團將透過派發股息及回购股份，回馈股东的持续支持。集團主席兼创始人 陈永祥表示，集团将透过派发股息及回购股份，回馈股东的持续支持。

LPI Capital posts better Q4 results

Declining second interim dividend of 45 sen per share, proposes 1 for 5 bonus issue

PETALING JAYA: LPI Capital Bhd's net profit in the fourth quarter ended Dec 31, 2017 (Q4 FY17) increased 1.9% to RM179.7 million from RM177.9 million in the previous corresponding quarter, mainly contributed by profit from the general insurance segment, which rose 4.3% to RM110.4 million from RM105.8 million in Q4 FY16, compared with RM355.6 million in the same period in FY16.

Underwriting profit for the quarter grew 4.3% to RM93.2 million from RM89.1 million previously on the back of 8% growth in net earned premium income.

LPI's full-year net profit dropped 20% to RM313.7 million against RM395.7 million in FY16, mainly due to the absence of recurring gains. Revenue rose 2% to RM1.47 billion from RM1.39 billion previously.

Liberalisation (framework) process will continue to pose new challenges to the insurance industry.

"We are nevertheless confident that the group will be able to ride the challenges and take advantage of the opportunities presented to report another favourable performance for 2018," he said in a statement.

Separately, LPI told Bursa Malaysia that it has proposed to undertake a bonus issue on the basis of one bonus share for every five existing shares held by shareholders.

The bonus issue, which entails an issuance of up to 66.4 million new shares, will be implemented by way of capitalisation of RM6.26 million from the share premium account and the remaining RM60.14 million from the retained earnings account.

2018

AT A GLANCE

CALENDAR OF SIGNIFICANT EVENTS

CORPORATE & AWARDS

26-31 MARCH

- ▶ **AGENCY CONVENTION 2018**
Perth, Australia

27 MARCH



- ▶ **57TH ANNUAL GENERAL MEETING**
Shangri-La Hotel, Kuala Lumpur

14-17 APRIL

- ▶ **AGENCY CONVENTION 2018**
Xiamen, China

16-17 APRIL

- ▶ **JUNIOR OFFICERS' & OFFICERS' SEMINAR**
Amverton Cove Golf & Island Resort,
Klang, Selangor

18-24 APRIL



- ▶ **MANAGERS' CONFERENCE**
Taipei, Taiwan

3 MAY



- ▶ **LONPAC WAS CONFERRED THE BRANDLAUREATE BESTBRANDS AWARDS 2017-2018 FOR MOST VALUABLE BRAND IN GENERAL INSURANCE**
The Majestic Hotel, Kuala Lumpur

2018

AT A GLANCE

CALENDAR OF SIGNIFICANT EVENTS

3-10 MAY

- ▶ **AGENCY CONVENTION 2018**
England & Scotland

10 JULY

- ▶ **CLERICAL TRAINING**
Lonpac's Head Office, Kuala Lumpur

11-13 JULY

- ▶ **AGENCY CONVENTION 2018**
Bangkok, Thailand

16-18 AUGUST

- ▶ **SENIOR EXECUTIVES' SEMINAR**
Weil Hotel, Ipoh, Perak

27-29 SEPTEMBER

- ▶ **ASSISTANT MANAGERS' & DEPUTY MANAGERS' SEMINAR**
Grand Ion Delemen, Genting Highlands, Pahang

11-13 OCTOBER

- ▶ **EXECUTIVES' SEMINAR**
Double Tree by Hilton, Penang

21 NOVEMBER



- ▶ **LPI WAS CONFERRED 2 MOST IMPROVED PLCs (MALAYSIA) AWARD AT THE 2ND ASEAN CORPORATE GOVERNANCE AWARDS CEREMONY 2018**
Kuala Lumpur Convention Centre

2018 AT A GLANCE

CALENDAR OF SIGNIFICANT EVENTS

COMMUNITY & CUSTOMER RELATIONS

3 MAY



▶ **BLOOD DONATION CAMPAIGN**
Lonpac's Head Office, Kuala Lumpur

25 JULY



▶ **SOCIAL VISIT TO THE NATIONAL
AUTISM SOCIETY OF MALAYSIA
(NASOM)**
Cheras, Kuala Lumpur

27 AUGUST



▶ **MUD BALL CLEAN UP FOR LAKE**
Rimba Kiara Park, Taman Tun Dr Ismail,
Kuala Lumpur

4 SEPTEMBER



▶ **LONPAC E-ASSIST CHARITY GOLF**
Kota Permai Golf & Country Club,
Shah Alam, Selangor

23 SEPTEMBER

▶ **LONPAC JOINTLY ORGANISED AN
ESSAY WRITING COMPETITION WITH
THE CHINA PRESS BHD**
SJKC Pay Fong, Melaka

2018 AT A GLANCE

CALENDAR OF SIGNIFICANT EVENTS

STAFF RELATIONS

13 APRIL



▶ **JUNGLE WALK**

Ayer Hitam Forest Reserve, Puchong,
Selangor

11 AUGUST



▶ **LONPAC'S 56TH ANNIVERSARY
DINNER**

Grand Pyramid Ballroom,
Sunway Convention Centre,
Petaling Jaya, Selangor

22 SEPTEMBER

▶ **LONPAC "CAR-TOON TRAIL"
HUNT 2018**

Pulse Grande Hotel, Putrajaya

20-26 OCTOBER



▶ **SPORTS CLUB TRIP**

Hokkaido, Japan

2018

AT A GLANCE

FINANCIAL CALENDAR

Financial Year 2018

ANNOUNCEMENT OF CONSOLIDATED RESULTS

26 APRIL 2018

THURSDAY

Announcement date



Unaudited results for the 1st quarter ended 31 March 2018

9 JULY 2018

MONDAY

Announcement date



Unaudited results for the 2nd quarter ended 30 June 2018

10 OCTOBER 2018

WEDNESDAY

Announcement date



Unaudited results for the 3rd quarter ended 30 September 2018

29 JANUARY 2019

TUESDAY

Announcement date



Audited results for the 4th quarter and financial year ended 31 December 2018

DIVIDENDS

9 JULY 2018

MONDAY

Notice date

24 JULY 2018

TUESDAY

Entitlement date

1 AUGUST 2018

WEDNESDAY

Interim dividend payment date



First interim single tier dividend of 26 sen per ordinary share

29 JANUARY 2019

TUESDAY

Notice date

18 FEBRUARY 2019

MONDAY

Entitlement date

27 FEBRUARY 2019

WEDNESDAY

Interim dividend payment date



Second interim single tier dividend of 42 sen per ordinary share

ANNUAL GENERAL MEETING

26 FEBRUARY 2019

TUESDAY

Notice of 58th Annual General Meeting

27 MARCH 2019

WEDNESDAY

58th Annual General Meeting

2018

AT A GLANCE

PERFORMANCE AT A GLANCE

FINANCIAL HIGHLIGHTS	GROUP	
	2018	2017
OPERATING RESULTS (RM'000)		
Operating Revenue	1,513,663	1,470,631
Gross Written Premiums	1,469,377	1,421,339
Operating Profit	401,954	401,263
Profit Before Tax	405,965	403,749
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)		
Total Assets	4,240,553	3,814,615
Total Liabilities	2,083,768	1,893,704
Total Equity	2,156,785	1,920,911
FINANCIAL RATIOS (%)		
<i>Profitability Ratios</i>		
Return on Equity	14.6	16.3
Return on Assets	7.4	8.2
Operating Margin	26.6	27.3
Net Claims Incurred	40.9	38.5
<i>Productivity Ratios</i>		
Gross Written Premiums Income per Employee (RM'000)	1,830	1,799
No. of Policies Issued per Employee	2,554	2,399

WE ARE LPI

CORPORATE PROFILE



LPI Capital Bhd (“LPI”), an investment holding company listed on the Malaysian stock exchange, is primarily involved in selling and distributing of premium general insurance solutions in Malaysia, Singapore and Cambodia. Its Malaysian operations are undertaken by LPI’s wholly-owned subsidiary Lonpac Insurance Bhd (“Lonpac”), which is among the industry’s leaders with approximately 8.09%¹ share of the general insurance market. ”



ABOUT US

LPI Capital Bhd (“LPI”), an investment holding company listed on the Malaysian stock exchange, is primarily involved in selling and distributing of premium general insurance solutions in Malaysia, Singapore and Cambodia. Its Malaysian operations are undertaken by LPI’s wholly-owned subsidiary Lonpac Insurance Bhd (“Lonpac”), which is among the industry’s leaders with approximately 8.09%¹ share of the general insurance market. These companies collectively form the LPI Group (“LPI Group” or “the Group”). Lonpac is also responsible for managing LPI’s Singapore interests, while its Cambodian business is represented by LPI’s 45%-owned Campu Lonpac Insurance Plc.

LPI, previously operating as London & Pacific Insurance Company Bhd, was established on 24 May 1962 as a private limited company and registered as an approved insurer on 9 April 1963 under the Malaysian Insurance Act 1963. The Company was subsequently listed on the Second Board of the Malaysian stock exchange on 8 January 1993 before being transferred to the Main Market of

Bursa Malaysia Securities Berhad (“Bursa Securities”) on 17 January 1997. Lonpac took over the entirety of LPI’s Malaysian insurance business through a rationalisation exercise in 1999.

In the 56 years since its establishment, the LPI Group has weathered substantial challenges including a growing number of competitors to remain a trusted and important pillar of the Malaysian insurance industry. Thanks to its prudential approach to risk, its ability to adapt to changing market conditions and maintain sustainable growth, LPI is confident that it will continue to play a significant role in the years to come.

CREATING VALUE IN THE NEW MALAYSIAN INSURANCE LANDSCAPE

The Malaysian insurance industry saw the intensification of the liberalisation framework, which is a decision undertaken by Bank Negara Malaysia (“BNM”) to remove the tariff structure for the Fire and Motor classes of general insurance in phases. With the new framework in place, individual insurers and takaful operators are responsible for setting

¹ ISM Statistical Bulletin for the period January – September 2018

WE ARE LPI

CORPORATE PROFILE

the prices for their Fire and Motor products based on their own financial models. The new regime increasingly enhances competition and drives fairer pricing, greater innovation and greater sustainability for both customers and insurers over the long-term.

Lonpac has taken all necessary steps to prepare for liberalisation, and has introduced innovations in both the front- and back-end of its operations to take advantage of the new opportunities presented by liberalisation. It has also stepped up the delivery of new de-tariffed products. These strategies aim to not only ensure that Lonpac remains relevant and sustainable, but are aimed at delivering greater value to its stakeholders including customers, the community and shareholders.

The Malaysian insurance market is expected to remain competitive in these early days of liberalisation as players are clamouring to increase market share in the new de-tariffed environment. Lonpac refuses to be drawn into a pricing war with its competitors and stands by its philosophy of prudential underwriting, sustainable growth and delivering superior customer experience. These focal points have helped guide its operations despite uncertainties arising from the new regulatory regime as well as persisting volatility in both the local and global financial markets.

The Group's key value propositions for its stakeholders can be summarised in the following four points:

Providing a diverse product and service range

Maintaining an extensive distribution network

Ensuring superior delivery standards

Maintaining a strong financial rating

PROVIDING A DIVERSE PRODUCT AND SERVICE RANGE

LPI Group is committed to providing comprehensive coverage to all our customers from every walk of life. The Group's product and service range also takes into account the changing operating environment in its markets such as the liberalisation of the Malaysian general insurance market. In delivering on this commitment, the Group has innovated and expanded its insurance offerings to cater to changing demographics and the evolving needs of its customer base.

One area that has become increasingly important due to changing customer demographics is the digital space. Online transactions have become the medium of choice for younger, more technologically savvy customers who are comfortable with executing their transactions through technological means. The LPI Group is aware of this growing need and has embarked on a digitisation programme to ensure that all systems and policies meet present needs and are future-proof for further developments.

LPI Group prioritises certain classes of business as growth nodes but nevertheless maintains a balanced and prudential approach in developing all classes of business. As such, customers can rest assured that they will continue to receive adequate protection in all key areas. At present, the Group offers insurance solutions in the following areas:

- Employee Benefits
- Health Insurance
- Liability Insurance
- Motor Insurance
- Marine Insurance
- Pecuniary Insurance
- Personal Accident Insurance
- Project Insurance
- Property Insurance
- Trade Credit Insurance

The Group is committed to further developing expertise in all business areas and continuously reaches out to both local and foreign partners and reinsurers to ensure that customers receive the best coverage and competitive pricing. Additionally, the Group also offers its customers a number of complimentary support services to provide additional assistance in times of need. Services offered through Lonpac include:

- **Lonpac E-Assist:**

A 24-hour emergency car assistance service that facilitates minor roadside repairs, emergency towing services, car rental services and arrangements for hotel accommodation to Lonpac's Private Car Secure and Comprehensive Private Car insurance policyholders.

- **Lonpac Home-Assist:**

A referral assistance programme providing home-related services to Lonpac's Home Secure Plus, Mortgage Home Secure Plus, Houseowner and Householder policyholders.

- **Lonpac Travel Assist:**

A medical and emergency assistance programme provided to the persons covered under Lonpac's TravelNet, BizTravel and Easy Travel policies.

Further bolstering business operations is a robust Customer Relationship Management ("CRM") system. The CRM system not only functions as the first line of support for customers but also helps customer identify gaps in their policy coverage or in areas where they can be better served. At the same time, LPI Group is committed to the safety and protection of customer data and confidential information, and has policies and safeguards in place to ensure that all customer data is maintained in a secure environment and that only persons with proper authorisation have access.

MAINTAINING AN EXTENSIVE DISTRIBUTION NETWORK

The Group maintains an extensive product distribution network that reaches out to all segments of society and customer groups within the markets where it operates. At the core of the network is the Group's substantial cohort of agents, which is a key contributor to product sales. Agents are trained and incentivised to create lasting and meaningful relationships with customers in line with the Group's philosophy of prioritising customer satisfaction. Through this agency force, customers are kept abreast of new product offerings while in-house product developers are apprised of changing customer needs.

In-house marketing team is also constantly at work analysing market and demographic data to innovate new products and identify new distribution channels to further grow the business. The team also liaises with customers to obtain feedback and respond to their needs to improve operations and better serve their insurance needs. The marketing team was developed internally under a rigorous talent development programme to ensure that members meet both internal and external operating benchmarks.

At the heart of the Group's distribution network is its information technology ("IT") system, which is responsible for optimising processes and identifying new business opportunities through data analytics. The Group regularly upgrades its IT infrastructure and systems to ensure peak efficiency while maintaining a secure data environment. The increasing use of IT has lowered the Group's operating ratio thereby improving profitability.

The Group's operating reach presently comprises 21 Lonpac branches in Malaysia and one in Singapore. It also has a presence in Cambodia through its 45%-owned entity, Campu Lonpac Insurance Plc.

ENSURING SUPERIOR DELIVERY STANDARDS

The Group's track record of excellent customer service is underpinned by a corporate culture that always puts customer needs ahead of other considerations. This has been a hallmark of the Group since its start in 1962, and staff have been likewise trained to maintain the highest levels of professionalism and conduct in line with this mission goal. Staff are provided the necessary training to not only reach their full potential but also to ensure that the Group maintains its spotless customer track record.

In 2004, Lonpac established a Customer Service Centre to manage customer queries and concerns. Extensive information is available online through its web portal, which also functions as a self-service platform enabling customers to manage their policies, submit feedback and make enquiries. The web platform is regularly updated with information on policies and product offerings, and also provides corporate information to investors and shareholders as part of the Group's commitment to transparency and good corporate governance.

WE ARE LPI

CORPORATE PROFILE

MAINTAINING A STRONG FINANCIAL RATING

Global insurance rating agency A.M. Best Asia-Pacific Limited (“A.M. Best”) upgraded Lonpac’s financial strength rating to “A” and its issuer credit rating to “a” from “A-” and “a-” respectively on 26 September 2018. The ratings upgrade reflects a number of strengths including:

A strong balance sheet

Consistently robust
operating performance

Healthy fundamentals
going forward

In particular, A.M. Best noted that Lonpac’s performance remained strong despite the implementation of the second phase of liberalisation, and that its operating ratio of about 60% from between 2013 and 2017 was superior to peers. Although the ratings agency noted that liberalisation was expected to erode profitability, it remained confident that Lonpac would remain fundamentally robust going forward.



AWARDS AND ACCOLADES

LPI and Lonpac have accumulated a number of awards over the years in recognition of its commitment to service excellence, its performance track record and its contribution to industry development. For this report, only the awards received in 2018 will be noted here. A more detailed list of all our awards is available on our website.

The BrandLaureate BestBrands Awards 2017-2018 for Most Valuable Brand in General Insurance

Lonpac received The BrandLaureate BestBrands Awards 2017-2018 for Most Valuable Brand in General Insurance in recognition of its strong brand leadership and performance in the general insurance industry, and its ability to deliver on brand promises. Presented by the Asia Pacific Brands Foundation, the award also recognises Lonpac as a market leader with an international footprint. This was the 8th consecutive year in which Lonpac was conferred the BrandLaureate award.

2 Most Improved PLCs (Malaysia) Award

On 21 November 2018, LPI was selected as one of two winners of the Most Improved PLCs (Malaysia) Award at the 2nd ASEAN Corporate Governance Awards Ceremony 2018. The awards were presented to the two public listed companies (“PLCs”) from each participating ASEAN country in recognition of their achievements in corporate governance best practices based on the ASEAN CG Scorecard assessment. The award is a testament to the strength of LPI’s corporate governance track record.

ENHANCING SUSTAINABILITY REPORTING AND DEVELOPMENT

LPI’s sustainability activities were published in its first sustainability report in line with Bursa Securities regulations in 2016. Over the last two years, senior management and staff of the Group have worked tirelessly to further enhance its report quality based on feedback received from its regulators as well as other stakeholders. In response to these comments, the LPI Sustainability Committee has enlarged the scope of its sustainability report to include the activities of its Singapore operation, and further enhanced its materiality assessment process to include feedback from a wider range of stakeholders. These have been included in the 2018 edition of the Sustainability Report which can be found on pages 52 to 81 of this Annual Report.

Underpinning the Group’s commitment to sustainability commitment is its strong culture of governance, which extends from the highest levels at the Board and Management to all line employees. The Group’s priority remains steadfastly locked on becoming a positive creator of value for all stakeholders in every layer of society. This commitment is specified in greater detail within the pages of the Sustainability Report.

LPI GROUP’S COMMITMENT

The Group is committed to providing clients with competitive and innovative products and services to meet their insurance needs. It is also committed to investing in human capital development to enhance core competencies and business productivity. The Group endeavours to continue delivering healthy returns and enhanced long-term value to shareholders while meeting our obligations to help boost communities and drive the progress of the nation.

TEN-YEAR GROUP FINANCIAL SUMMARY

	Year Ended 31 December									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
OPERATING RESULTS (RM'000)										
Operating Revenue	1,513,663	1,470,631	1,378,892	1,284,586	1,169,693	1,119,022	1,039,326	902,729	751,726	698,462
Gross Written Premiums	1,469,377	1,421,339	1,278,339	1,250,799	1,149,162	1,105,678	1,033,860	907,912	755,931	675,246
Operating Profit	401,954	401,263	516,502	391,100	342,032	257,277	214,685	201,147	183,170	160,407
Profit Before Tax	405,965	403,749	518,925 ^{NI}	393,066	341,949	256,801	214,036	200,053	181,307	161,335
Profit Attributable To Owners Of The Company	314,049	313,794	437,223	320,989	283,016	201,440	166,925	154,494	137,908	126,088
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM'000)										
Total Assets	4,240,553	3,814,615	3,656,113	3,625,348	3,377,206	3,202,331	2,749,262	2,405,215	2,246,462	1,894,506
Total Liabilities	2,083,768	1,893,704	1,818,797	1,886,747	1,724,336	1,595,788	1,376,618	1,223,631	1,086,220	993,833
Share Capital	398,383	338,244	331,986	331,986	221,324	221,324	221,324	221,324	221,324	138,723
Total Equity	2,156,785	1,920,911	1,837,316	1,738,601	1,652,870	1,606,543	1,372,644	1,181,584	1,160,242	900,673
PRODUCTIVITY RATIO										
No. of Employees	803	790	772	738	705	687	667	611	562	543
Gross Written Premiums Income per Employee (RM'000)	1,830	1,799	1,656	1,695	1,630	1,609	1,550	1,486	1,345	1,244
No. of Policies Issued per Employee	2,554	2,399	2,315	2,616	2,331	2,352	2,296	2,304	2,134	1,912
No. of Claims Settled per Claims Staff	1,462	1,395	1,340	1,197	1,176	1,170	1,127	1,082	1,054	1,036

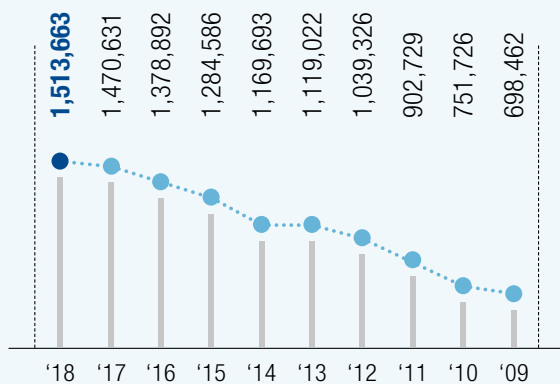
^{NI} - The Group profit before tax for 2016 would be RM368.5 million if it was adjusted to exclude the one-off realised gains of RM150.4 million.

The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

TEN-YEAR GROUP FINANCIAL SUMMARY

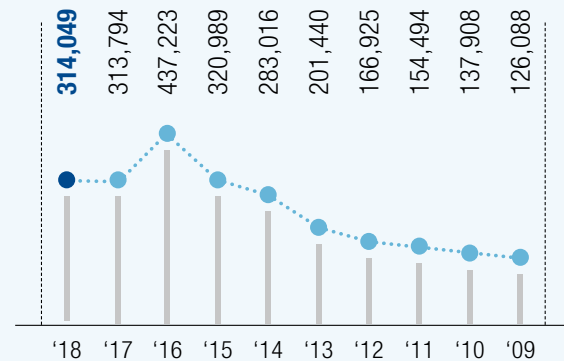
OPERATING REVENUE

(RM'000)



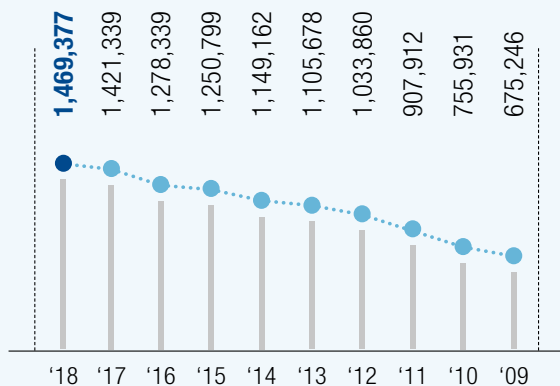
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RM'000)



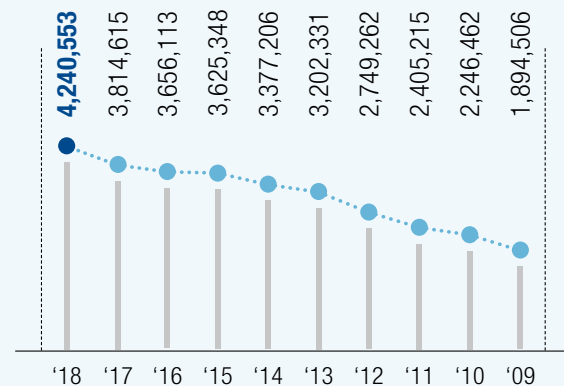
GROSS WRITTEN PREMIUMS

(RM'000)



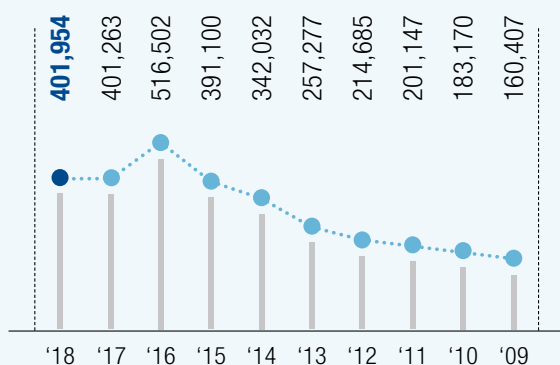
TOTAL ASSETS

(RM'000)



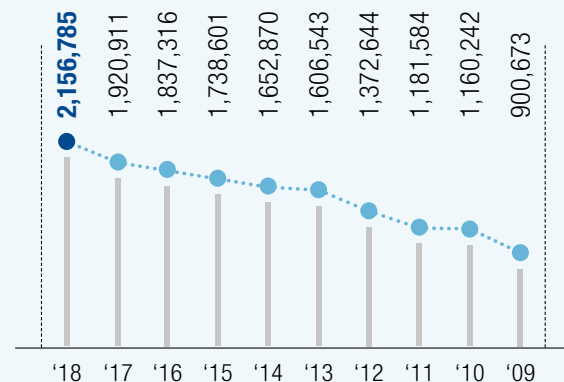
OPERATING PROFIT

(RM'000)



TOTAL EQUITY

(RM'000)



Note: The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

TEN-YEAR GROUP FINANCIAL SUMMARY

	Year Ended 31 December									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
SHARE INFORMATION AND VALUATION										
Share Information										
Per share (sen)										
Basic Earnings	78.8	78.8 ^{N2}	109.7 ^{N2} _{N3}	80.6 ^{N2}	71.0 ^{N2}	50.6 ^{N2}	41.9 ^{N2}	38.8 ^{N2}	34.6 ^{N2}	31.6 ^{N2}
Net Dividend	68.00	72.00	80.00	70.00	75.00	70.00	65.00	75.00	55.00	67.50
Net Tangible Assets	541.38	578.61	553.43	523.70	746.81	729.22	623.00	536.33	526.74	654.23
Share Price as at 31 December (RM)	15.74	18.16	16.38	16.08	18.06	17.44	14.54	13.52	13.18	13.70
Market Capitalisation (RM'000)	6,270,548	6,028,866	5,437,931	5,338,335	3,997,111	3,859,891	3,218,051	2,992,300	2,917,050	1,900,505
Share Valuation										
Net Dividend Yield (%)	3.8	4.5	5.6	4.1	5.0	5.1	4.9	7.1	7.7	6.2
Dividend Payout Ratio (%)	86.3	76.2	60.7	72.4	58.6	76.6	85.8	107.0	86.2	114.8
Price to Earnings Multiple (times)	20.0	19.2	12.4	16.6	21.1	19.1	19.2	19.3	20.7	23.3
Price to Book Multiple (times)	2.9	3.1	3.0	3.1	2.4	2.4	2.3	2.5	2.5	2.1
FINANCIAL RATIOS (%)										
Profitability Ratios										
Return on Equity ("ROE")	14.6	16.3	23.8	18.5	17.1	12.5	12.2	13.1	11.9	14.0
Return on Assets	7.4	8.2	12.0	8.9	8.4	6.3	6.1	6.4	6.1	6.7
Operating Margin	26.6	27.3	37.5	30.4	29.2	23.0	20.7	22.3	24.4	23.0
Net Claims Incurred	40.9	38.5	38.3	41.0	44.0	45.5	47.5	48.9	47.7	47.1

^{N2} - The Basic Earnings Per Ordinary Share from 2009 - 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.

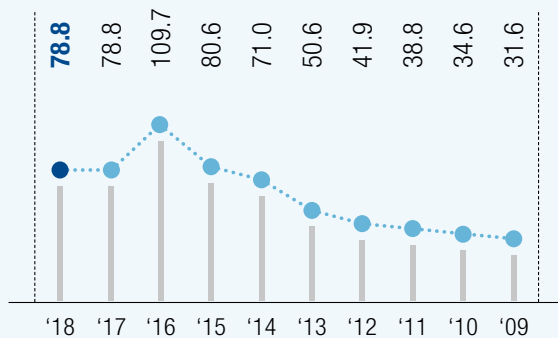
^{N3} - The Group's earnings per share for 2016 would be 72.0 sen if it was adjusted to exclude the one-off realised gains of RM150.4 million arising from the disposal of long term equity investment.

The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

TEN-YEAR GROUP FINANCIAL SUMMARY

BASIC EARNINGS PER SHARE

(SEN)

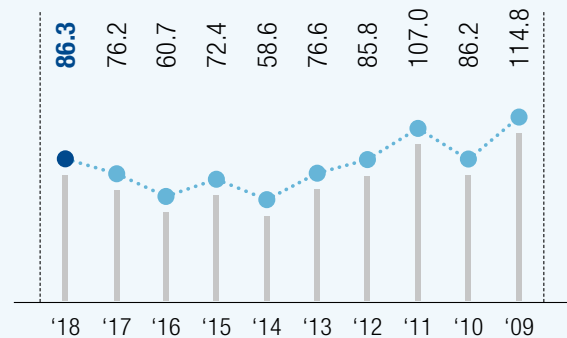


The Basic Earnings Per Ordinary Share from 2009 - 2017 were restated to take into effects of bonus issues during the year 2015 and 2018.

The figures for 2011 to 2018 presented above are based on MFRS whereas 2010 and prior are based on FRS.

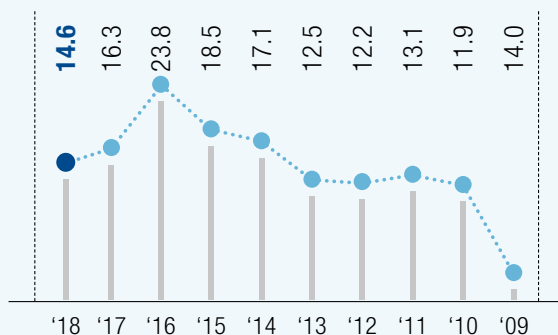
DIVIDEND PAYOUT RATIO

(%)



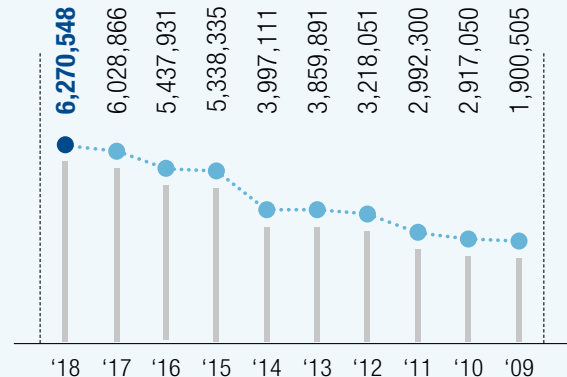
RETURN ON EQUITY

(%)



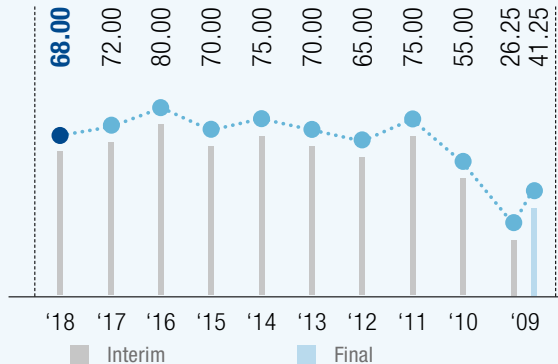
MARKET CAPITALISATION

(RM'000)



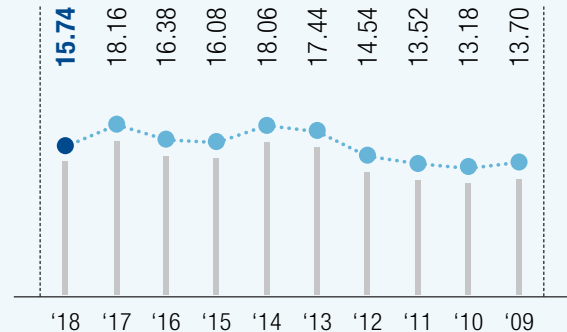
NET DIVIDEND PER SHARE

(SEN)



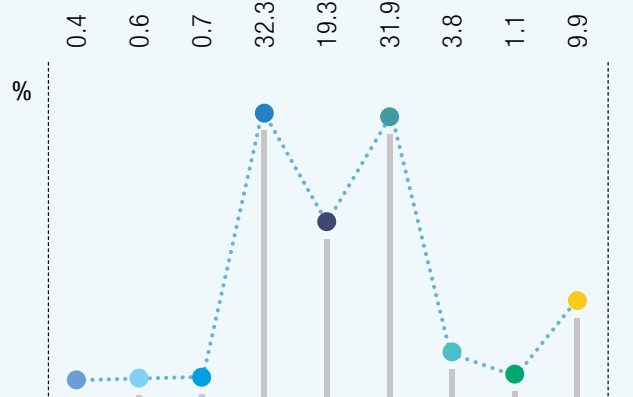
SHARE PRICE

(RM)

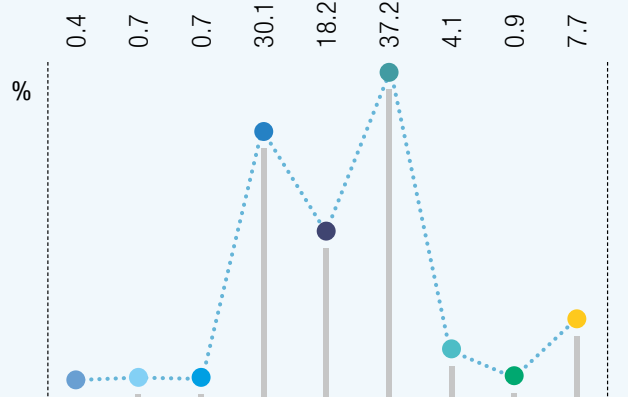


SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

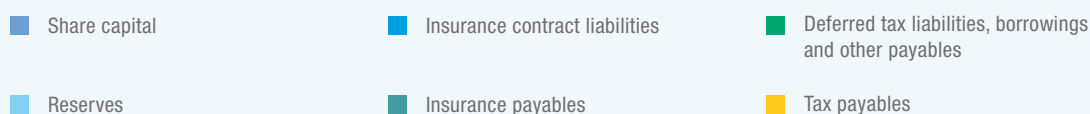
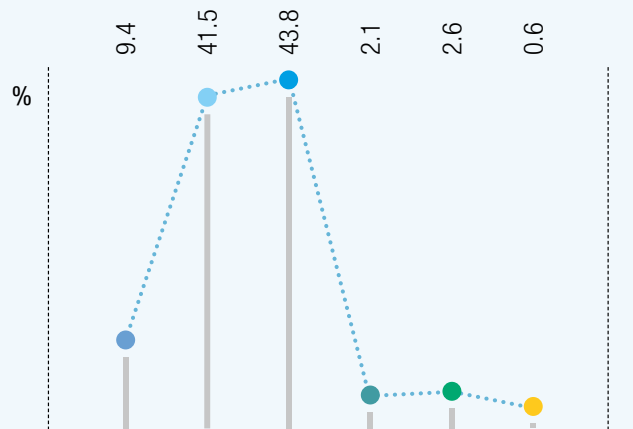
ASSETS 2018



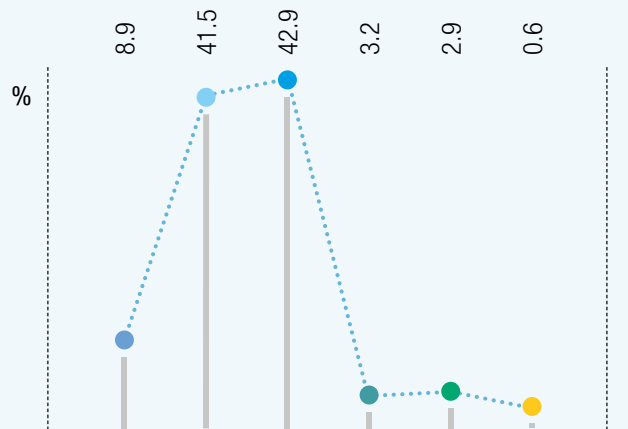
ASSETS 2017



EQUITY & LIABILITIES 2018



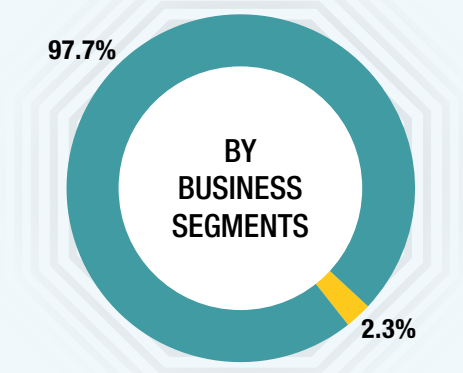
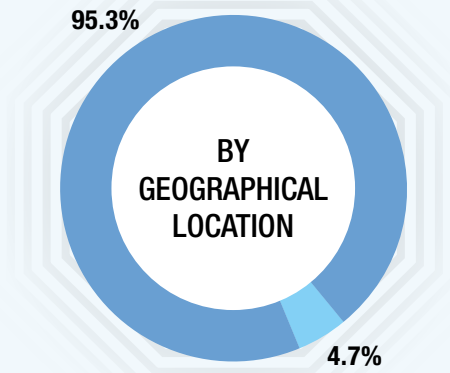
EQUITY & LIABILITIES 2017



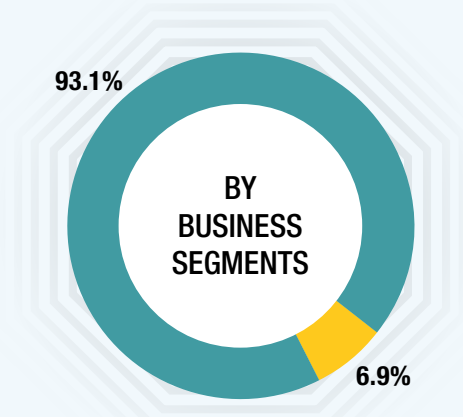
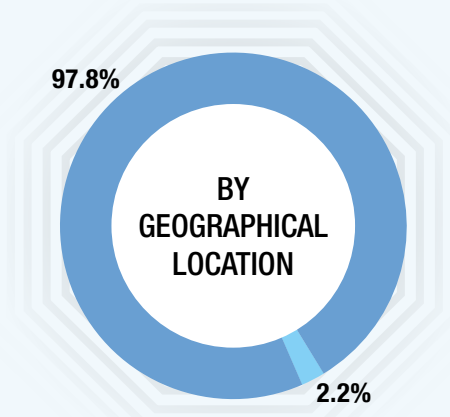
SEGMENTAL ANALYSIS

For the year ended 31 December 2018

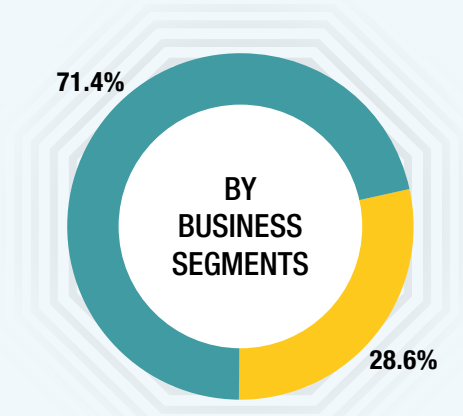
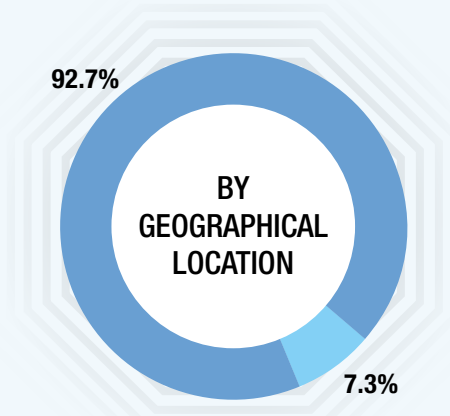
OPERATING REVENUE



PROFIT BEFORE TAXATION



TOTAL ASSETS



■ Within Malaysia

■ Outside Malaysia

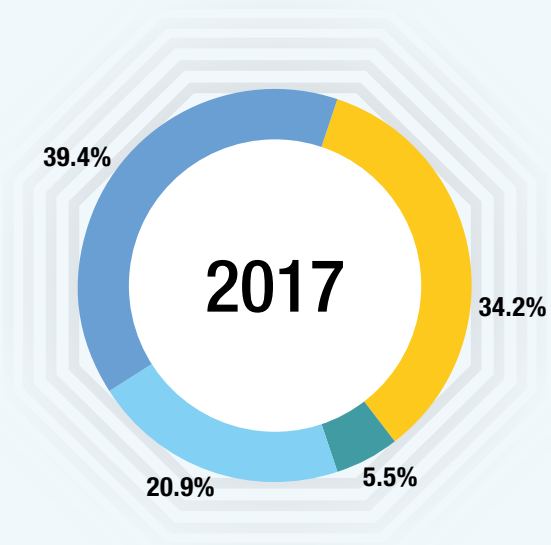
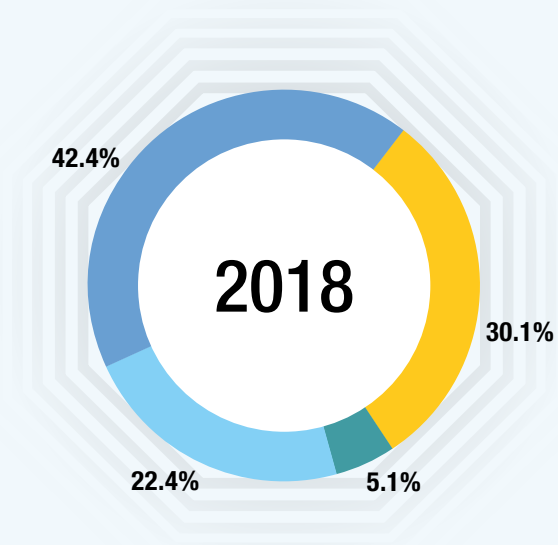
■ General Insurance

■ Investment Holding

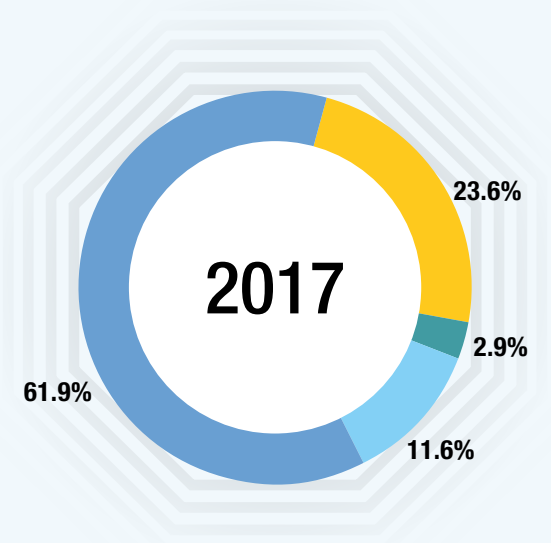
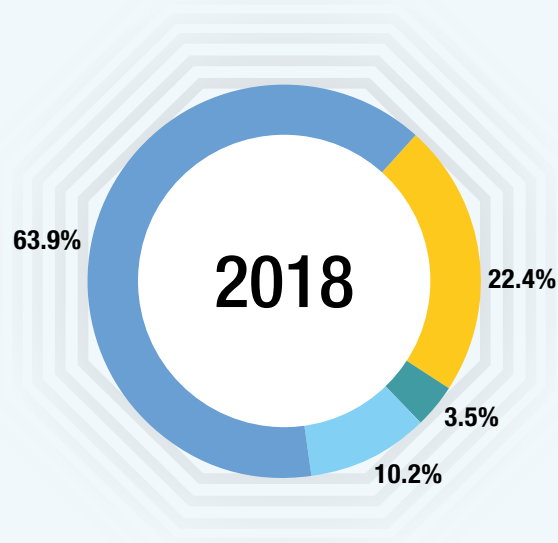
SEGMENTAL ANALYSIS

For the year ended 31 December 2018

GROSS WRITTEN PREMIUMS BY CLASS



UNDERWRITING SURPLUS BEFORE MANAGEMENT EXPENSES BY CLASS



■ Fire ■ Motor ■ Marine, Aviation & Transit ■ Miscellaneous

GROUP

QUARTERLY PERFORMANCE

RM'000	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018
Financial Performance					
Operating Revenue	380,998	353,048	390,592	389,025	1,513,663
Operating Profit	90,669	86,310	114,828	110,147	401,954
Profit Before Tax	91,578	86,877	116,635	110,875	405,965
Profit Attributable to Owners of the Company	72,500	65,738	91,808	84,003	314,049
Earnings Per Share (sen)*	18.20	16.50	23.04	21.09	78.83
Net Dividends Per Share (sen)	-	26.00	-	42.00	68.00

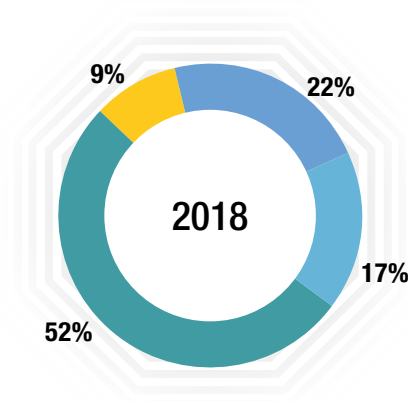
RM'000	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2017
Financial Performance					
Operating Revenue	347,640	352,710	406,788	363,493	1,470,631
Operating Profit	87,776	88,701	114,541	110,245	401,263
Profit Before Tax	88,794	89,216	115,034	110,705	403,749
Profit Attributable to Owners of the Company	70,563	68,064	92,170	82,997	313,794
Earnings Per Share (sen)*	17.71	17.09	23.14	20.83	78.77
Net Dividends Per Share (sen)	-	27.00	-	45.00	72.00

* Quarterly earnings per share is based on the weighted average number of ordinary shares in issue during the quarter whereas the year-to-date earnings per ordinary share is based on the weighted average number of ordinary shares in issue during the year.

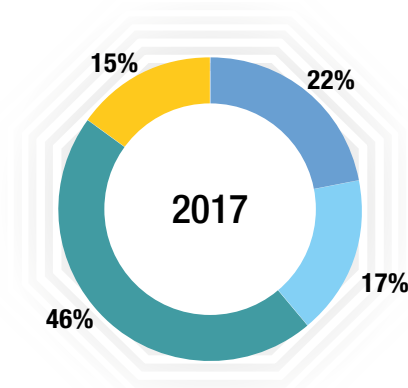
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created by the Group through various business activities. The Statement of Value Added shows the total wealth created and how it was distributed to stakeholders, including the Government, as well as reinvestment for the replacement of assets and further expansion of the business of the Group.

Value Added	2018 RM'000	2017 RM'000
Net Earned Premiums	930,834	850,154
Other Income	210,720	222,350
Net Claims Incurred	(380,968)	(327,711)
Other Expenses Excluding Staff Costs and Depreciation	(237,159)	(228,558)
Finance Cost	(4)	(3)
Share of Profit After Tax of Equity Accounted Associated Company	4,015	2,489
Value added available for distribution	527,438	518,721



Distribution of Value Added	2018 RM'000	2017 RM'000
To Employees:		
Staff Costs	118,188	111,787
To the Government:		
Tax Expense	91,916	89,955
To Providers of Capital:		
Dividends Paid to Shareholders	270,900	239,030
To Reinvest in the Group:		
Depreciation	3,285	3,185
Retained Earnings	43,149	74,764
Total distributed	527,438	518,721



- Employees
- Government
- Providers of capital
- Reinvestment in the Group

CHAIRMAN'S STATEMENT

“

I am pleased to report that LPI Capital Bhd (“LPI”) and its wholly-owned subsidiary Lonpac Insurance Bhd (“Lonpac”) performed relatively well for the financial year ended 31 December 2018 despite extremely challenging operating conditions. Although our headline numbers have moderated as compared against the previous year, the industry average has tumbled much lower owing to several key developments. ”



PROFIT BEFORE TAX

RM

406.0 million

REVENUE

RM

1.5 billion

TO OUR VALUED SHAREHOLDERS,

I am pleased to report that LPI Capital Bhd (“LPI”) and its wholly-owned subsidiary Lonpac Insurance Bhd (“Lonpac”) performed relatively well for the financial year ended 31 December 2018 despite extremely challenging operating conditions. Although our headline numbers have moderated as compared against the previous year, the industry average has tumbled much lower owing to several key developments. Within this context, the performance of the LPI Group is deserving of plaudits, and marks the sustainability of our strategies going forward.

To elaborate: 2018 was marked by two momentous developments, the first of which was the change of the Malaysian government. The second was the full implementation of Bank Negara Malaysia’s liberalisation measures for the full fiscal year. Both developments have seen the emergence of new challenges that test our ability to remain relevant and sustainable, and I am proud to announce that we have managed to do so admirably.

CHAIRMAN'S STATEMENT



Some of the challenges we faced in the past year included:

- i. Increased competition from other insurance players for market share
- ii. Greater pressure on profit margins owing to competitive pricing
- iii. Increased operational costs owing to inflation, particularly in our medical portfolio
- iv. Scale down of large infrastructure projects as the new government reviewed its development policy



The ramifications of this difficult operating environment were evident in the average growth of gross written premiums across the industry which expanded by a tepid 1.5%¹ between January and September 2018.



The ramifications of this difficult operating environment were evident in the average growth of gross written premiums across the industry which expanded by a tepid 1.5%¹ between January and September 2018. Against this benchmark, Lonpac's gross written premiums growth of 3.4% was a remarkable achievement and a positive indication of the efficacy of our strategies.

In comparing our performance against our previous year's results, we find that gross written premiums have grown 3.4%, while the claims incurred ratio increased to 40.9% from 38.5%. Meanwhile, profit before tax ("PBT") grew 0.6% to RM406.0 million from RM403.7 million a year ago, and our combined ratio was reported at a highly laudable 67.4% as compared against the industry's 91.4%¹.

The Board of LPI has declared a second interim single tier dividend of 42 sen for the financial year ended 31 December 2018. If approved, our dividend payout for 2018 will total 68 sen per share.

OUR STRATEGY AND PROSPECTS

The economic environment both in Malaysia and around the world took a turn for the worse in 2018. Locally, poorer sentiments were driven by concerns about the country's fiscal stability, the uncertainty brought about by

changes in government policy and continuing turmoil in global trade relationships. The Ringgit fell against most major currencies during the year due mainly to lower global oil prices and in anticipation of a US Federal Reserve decision to hike interest rates at the end of the year.

Meanwhile, fears of an intensifying trade war between the US and China as well as a weakening China economy sparked fund outflows from most Asian markets in the middle of the year. According to research house MIDF Research, total net foreign fund outflow from the Malaysian stock market totalled RM9.9 billion as at 12 November 2018.

Analysts also turned somewhat bearish on the fundamentals of the Malaysian economy after GDP expanded more slowly than expected. Sluggish global demand had a negative impact on the Malaysian economy, while moderating investment growth in the country is likely to affect consumer sentiment, the Malaysian Institute of Economic Research wrote in its economic outlook published on 16 October 2018. Meanwhile, inflation rose at a lower than expected rate, which further points to a slowdown in economic activity in the country.

¹ ISM Statistical Bulletin for the period January – September 2018.

CHAIRMAN'S STATEMENT

As a Group, we have always cautioned our stakeholders that we are operating in a period of prolonged volatility where prospects and operating conditions may improve or deteriorate at the drop of a hat. After several years of better-than-expected operating conditions, we have seen the balance swing this past year. Fortunately, the Group's adherence to our long-standing policy of prudential risk management has helped us weather the changing operating conditions, and this is evident when comparing our performance against the industry average.

Indeed, not only have we managed to defend our market leadership in our key business areas, but we have also managed to develop new innovations that will stand us in good stead in the coming years. Lonpac's increased focus on product development and digital transformation is in line with our philosophy of putting customers first as we work to deliver better coverage for our customers at a lower price.

We remain committed to our policy of prudential and organic growth despite the growing number of competitors in the marketplace. Nevertheless, in adjusting to the new operating environment, we have increased our collaboration with our partners to establish new channels of distribution and are starting to take advantage of mobile platforms to cater to the new generation of digitally savvy customers. We are confident that these strategies, together with the innovations of our product development team, will be sufficient to help us create value for our stakeholders and that we will remain sustainable over the long term.



We have also managed to develop new innovations that will stand us in good stead in the coming years. Lonpac's increased focus on product development and digital transformation is in line with our philosophy of putting customers first as we work to deliver better coverage for our customers at a lower price.



OUR DIGITAL TRANSFORMATION

Lonpac's digital transformation continues apace and we will be unveiling some of our new digital innovations in early 2019. These include a thoroughly refreshed web presence that has been designed for optimised user experience, and that will also boast greater functional capabilities. The new web portal will enhance the user's ability to conduct transactions online, including purchasing new policies for selected classes of business.

We will also be rolling out a mobile app that will give our customers greater control over their insurance coverage and provide them with access to our complimentary assistance services such as our E-Assist programme, thereby making it easier for them to obtain assistance during their times of need.

The transformation of Lonpac into a digital company is not a decision that was made lightly. It is instead a response to changing demographics, which have brought along with them changing customer needs. We find that customers are increasingly demanding that they be given the digital tools to manage their own financial portfolios, and our digital strategy is one way by which we are looking to meet that need.

The use of technology is only expected to further intensify with the acceleration of financial technology ("fintech") and insurance technology ("insuretech") tools such as the "Internet of Things". Going digital also has positive benefits for the Company, as we foresee that this investment will substantially lower our costs and help us improve operational efficiencies. Nevertheless, we remain sensitive to the new risks that digital adoption may pose and have taken measures to ensure that we are protected from new threats such as data piracy and the encroachment into our customers' privacy.

ENSURING SUSTAINABLE DEVELOPMENT

The LPI Group has always placed sustainability as a key priority and taken the appropriate measures to ensure that we continuously create stakeholder value whatever the operating environment. This was made clear in 2018 where LPI stood among the few insurers in Malaysia that managed to surpass industry averages in our performance and in rewarding our shareholders.

To formalise our sustainability programme, we published our first Sustainability Report in 2016 together with our annual report for the year.

CHAIRMAN'S STATEMENT



We continue to enhance our sustainability framework by further expanding our stakeholder consultation and by reassessing our materiality matters. We now also have more data available for benchmarking purposes, which will also help us identify areas that need further improvement. ”

Our sustainability programme is a robust one that sees the participation of key personnel including the Chief Executive Officers of LPI and Lonpac in its Sustainability Committee. Through our robust sustainability programme, we work independently and together with community development partners to create and deliver value to our stakeholders, be they our customers, our shareholders, our staff or the communities in which we operate.

In the two years since we published our first sustainability report, we have received feedback and advice from our regulators and stakeholders, and have worked hard to improve our sustainability reporting in line with their suggestions. To that end, we are preparing to publish our first Integrated Report guided by the <IR> Framework in 2020.

In the meantime, we continue to enhance our sustainability framework by further expanding our stakeholder consultation and by reassessing our materiality matters. We now also have more data available for benchmarking purposes, which will also help us identify areas that need further improvement. Finally, in response to a suggestion from our regulator, we have included the sustainability activities of our Singapore branch in our report this year, to provide a more comprehensive account of our sustainability activities.

The full details of our sustainability activities are documented in our Sustainability Report 2018, which can be found on pages 52 to 81 of this report.

ACKNOWLEDGEMENTS

On behalf of LPI's Board of Directors, I would like to express our gratitude to the Management and staff of LPI Group for their perseverance during a very challenging year. Your hard work and adherence to our Group's corporate vision have helped the Company achieve commendable results in difficult operating conditions and we applaud your continued loyalty to our cause. I hope that you will continue to strive to your utmost in the year to come.

A special thanks to our customers and shareholders who have stood by us through thick and thin. We promise that we will always put your interests first in all that we do, and we hope that you will continue to grant us the privilege of creating value for you - in your investment in us and by trusting us to cover your insurance needs. We would also like to express our gratitude to our regulators and governing authorities for the support and advice given to us during the year, and we hope to continue engaging in constructive discussion regarding the continued development of the insurance industry.

Last but not least, I would like to express my personal thanks to my fellow Board members for their advice and contributions in steering the Company. We would not have performed as remarkably as we did without your efforts, and I look forward to another productive year together with all of you on the Board.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Group Business and OPERATIONS

LPI AT A GLANCE

MARKET CAPITALISATION

RM
6.3bil
as at 31 December 2018

KEY BUSINESS ACTIVITY

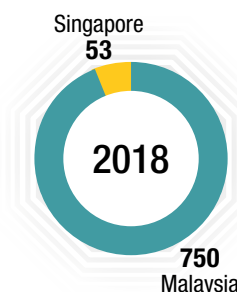
**Sale of general
insurance products**

MARKET PRESENCE

**Malaysia, Singapore
and Cambodia**

TOTAL NUMBER OF EMPLOYEES:

803



FINANCIAL HIGHLIGHTS (FY2018)

GROSS PREMIUM INCOME +3.4% TO

RM
1.5bil

PROFIT BEFORE TAX +0.6% TO

RM
406.0mil

TOTAL ASSETS +11.2% TO

RM
4.2bil

GROUP BUSINESS AND OPERATIONS

LPI Capital Bhd (“LPI”) is an investment holding company primarily involved in the sale of insurance products. Its wholly-owned subsidiary Lonpac Insurance Bhd (“Lonpac”) is a leading general insurance company in Malaysia providing personal, project and operational coverage for both individuals and commercial entities.

LPI, formerly operating as London & Pacific Insurance Company Bhd, was incorporated on 24 May 1962 and registered as an approved insurer on 9 April 1963 under the Malaysian Insurance Act 1963.

It was subsequently publicly listed on the Second Board of the Malaysian stock exchange on 8 January 1993 before being transferred to the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 17 January 1997.

LPI’s insurance operations in Malaysia were transferred to Lonpac on 1 May 1999 through a rationalisation scheme. Lonpac also conducts insurance operations in Singapore where it has one branch. In addition to Malaysia and Singapore, LPI carries out insurance operations in Cambodia through its 45%-owned Campu Lonpac Insurance Plc, which is jointly owned with Cambodian Public Bank Plc and Public Bank Berhad (“PBB”).

Lonpac presently has an 8.09%¹ share of the Malaysian general insurance market as at the end of September 2018.

While LPI Group maintains a presence in both Cambodia and Singapore, its operations in both countries remain small owing to the competitive nature of the insurance industry in Singapore and the relative infancy of the industry in Cambodia.

¹ ISM Statistical Bulletin for the period January – September 2018.

BUSINESS VISION

LPI envisions itself as a positive creator of value for all its stakeholders, including its customers, shareholders and the insurance industry taken as a whole. A leading provider of general insurance products in Malaysia through its wholly-owned subsidiary Lonpac, LPI has helped shape the Malaysian insurance market over the last 56 years as a trusted provider of insurance products and as an integral voice helping steer developments in the industry. It is also an active contributor to community development, playing an important role in raising charitable funds and supporting education initiatives.

In fulfilling its obligations to its shareholders to maximise the creation of shareholder value, the Group adopts a business approach that prioritises organic growth, prudential risk management and customer satisfaction. These are the Group's core philosophies that have unlocked profitability and growth in the past and will continue to be the cornerstones of the Group's business approach. The Malaysian insurance industry remains as LPI's most important market and will continue to be so in the foreseeable future.

In Singapore, the Group's insurance activities showed positive developments in 2018 following the creation of a new team in the Singapore branch. With claims remaining stable in the country and premiums growing over the past year, our Singapore operations are showing positive signs of growth. We expect our Singapore operations to perform even better in 2019 with the new business strategy in place.

In Cambodia, our business continues to grow albeit at a slower pace owing to the relative newness of the insurance market. Nevertheless, we remain confident that Cambodia will mature into an important market for the region.

ADAPTING TO A LIBERALISED MALAYSIAN MARKET

Lonpac's role as a trusted insurance provider has become increasingly important now that the Malaysian general insurance market is undergoing liberalisation. With liberalisation comes new opportunities and challenges, as well as new obligations and risks, which in turn require adaptation on our part if we are to remain relevant and sustainable to our stakeholders.

One of the key differences brought about by the implementation of the Phased Liberalisation Framework is the greater responsibility placed on insurers to price premiums for the Motor and Fire classes of business. In moving away from a tariff structure, the new liberalised framework gives insurers greater autonomy to price risk as they see fit, which in turn makes them more competitive and accountable to their stakeholders.

In transitioning to the new regime, Lonpac implemented a number of policy changes including establishing a Health & Accident Department focused on writing health and personal accident policies. It also enhanced its actuarial resources through the formation of an Actuarial Department and is actively upgrading its Information Technology ("IT") systems. These initiatives have started making positive contributions to Lonpac's gross written premiums growth and are expected to continue to do so moving forward.

To support the development of new innovative products, Lonpac expanded its Product Development Committee by introducing committees focused on specific business classes in 2018. These committees ensure that products are designed with greater emphasis on meeting customer needs and our strategic goals while staying within the prudential guidelines set by the Group.

They also explore cross-selling opportunities created by the new liberalised regime in Malaysia by working in collaboration with partners and other departments.

LPI believes that the measures taken by Lonpac will help us successfully navigate the transition into a liberalised marketplace while maintaining our core philosophy. In doing so, we are securing the sustainable future of our Malaysian operations.

CATERING TO A CHANGING DEMOGRAPHIC

People are at the heart of the insurance business, and the changing demographics in our markets translate to a fundamental shift in the way we do business. The evolving demographics have affected the way that insurance products are packaged, marketed and distributed. In Malaysia, as with elsewhere around the world, the insurance and financial sectors have seen the emergence of a new generation of customers who are technologically savvy and relatively independent, and who prefer to self-manage their financial matters through the use of technological intermediaries, i.e. financial technology ("fintech").

This trend is not likely to reverse course going forward. In response to this shift in demographics, Lonpac established a Digital Strategy Department in 2017 aimed at designing solutions to cater to this segment of customers. Two key goals were identified for the Group:

- To digitise the sale and management of its insurance products
- To transform Lonpac into a true digital business across all distribution channels

MANAGEMENT DISCUSSION & ANALYSIS

Differently put, the Digital Strategy Department has been tasked with deploying a digital strategy to expand the Company's distribution channels and to appeal to the new technologically savvy generation of customers. This will effectively expand the scope of Lonpac's activities while increasing its relevance to new customers.

TRANSFORMING INTO A DIGITAL COMPANY

Technology has always played an important part in our operations but our transformation into a digital company marks a fundamental shift in our business. By becoming a digital company, we are emphasising the importance of using digital technology such as websites and mobile apps as key sales and distribution channels.

In the first phase of the digital transformation, Lonpac has refreshed the look and feel of its website. Launched on 7 December 2018, the new website has been designed to be more dynamic, less cluttered and more informative to customers.

The digital transformation will also see Lonpac leveraging on a mobile app to widen its digital footprint. Lonpac is working on developing its own proprietary app as well as in collaboration with partners to develop online solutions. Upon completion of the mobile app, customers will have access to complimentary value-added services such as the Lonpac E-Assist service, as well as use their mobile device to submit claims documentation such as photos.

Finally, Lonpac will continue working on the implementation of its Business Process Management ("BPM") system. The BPM system promises to yield greater business

efficiency by streamlining workflow processes, thereby allowing staff to be more responsive to customer needs. The enhancement of the BPM system for the Fire class of business is expected to be completed by 2019.

LPI'S FINANCIAL PERFORMANCE IN FY2018 AT A GLANCE

	2018	2017
Profit Before Tax (RM'000)	405,965	403,749
Profit for the Year (RM'000)	314,049	313,794
Basic Earnings Per Share (sen)	78.83	78.77*
Total Assets (RM'000)	4,240,553	3,814,615
Total Equity (RM'000)	2,156,785	1,920,911
Return on Equity	14.6%	16.3%
Return on Assets	7.4%	8.2%
Operating Margin	26.6%	27.3%
Net Claims Incurred	40.9%	38.5%

* Comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustment arising from bonus issue during the financial year ended 31 December 2018.

PROFIT BEFORE TAX BY SEGMENT

	2018 RM'000	2017 RM'000
General Insurance Operations	374,061	372,204
Investment Holding	27,889	29,056
	401,950	401,260
Share of profit after tax of equity accounted associated company	4,015	2,489
Profit Before Tax	405,965	403,749

MANAGEMENT DISCUSSION & ANALYSIS

LPI performed well in 2018 relative to the industry within a challenging operating environment. During the year under review, the industry as a whole saw profit margins erode due to intensifying price competition between the various insurance players looking to establish stronger market leadership in the liberalised general insurance market.

While the price war impacted our business, we managed to make up the difference by launching new innovative products with more attractive pricing and by enhancing our existing range of comprehensive products. In designing new products, we focused on products that aim to give customers better coverage at lower prices. This change in our strategic approach helped offset the erosion of our premiums by building up our market share in key market segments.

The success of the strategy can be seen from our gross written premiums growth of 3.4%, which is more than double the industry's average growth rate of 1.5%². This is further reinforced by the growth in our profit before tax ("PBT") to RM406.0 million in 2018 from RM403.7 million a year ago, which is a remarkable achievement given the existing operating environment.

Breaking down this figure, we see that PBT contributions from our general insurance operations grew 0.5% to RM374.1 million from RM372.2 million a year ago. Of the various classes of coverage offered under our general insurance operations, the Fire class of business posted the strongest growth, increasing 11.1% year-on-year, while our Motor business grew 10.6% during the same time frame.

Meanwhile, contributions from our investment holding operations decreased 4.0% year-on-year, contributing RM27.9 million to Group PBT. The decrease is due mainly to higher management expenses and the absence of a non-recurring gain of RM1.5 million from the sale of equity investments in 2017.

As at 31 December 2018, the Group's total assets included cash in hand, balances and deposits with banks and liquid investments totalling RM418.5 million. These assets bear insignificant risk of changes in value as their maturity terms are three months or shorter, and are used by the Group to manage its short-term commitments. The capital expenditure commitments for the Group stood at RM11.0 million, which is not material to the Group's financial position. There were no changes to the capital structure and resources of the Group in 2018.

FINANCIAL AND MARKET CONDITIONS

The intensifying implementation of Bank Negara Malaysia ("BNM")'s Liberalisation Framework presented new challenges to all players in the Fire and Motor classes of business. Insurance players looking to increase their market share rolled out competitively priced products that exerted pressure on margins and eroded profitability. Insurers were thereby forced to come up with creative solutions to defend their market share while at the same time developing new products that created value for customers in the new liberalised regime.

The market environment was further impacted by the new Malaysian government's decision to scale down the number of large infrastructure projects coming on stream. As part of its mandate, the new Malaysian government, which was formed in May 2018, reviewed the infrastructure development projects in the country. This policy decision had an impact on the economy in general and on our insurance business in particular.

Conditions were also affected by the turbulent global financial market, which was destabilised by the US and China's trade brinksmanship. The threat of a full-blown trade war has dampened economic sentiments, and could significantly hurt the Malaysian economy should it continue unabated. Global political uncertainty also remained a factor as major economies around the world continue to deal with populist issues including trade protectionism and immigration.

² ISM Statistical Bulletin for the period January – September 2018.

MANAGEMENT DISCUSSION & ANALYSIS

In 2018, Lonpac performed well against its peers, reporting a Combined Loss Ratio of 67.4% (91.4%³ on average for the industry). The following benchmarks provide an overview of our position in the market.

- Market position on Gross Direct Premiums (Motor & Non-Motor) – General Insurance for the period January – September 2018: Ranked 5th
Source: ISM Statistical Bulletin

- Classes of insurance where Lonpac was ranked in the top 3 for the period January – September 2018:

Class	Rank
Bonds	1
Contractor's All Risks and Engineering	1
Fire	1
Liabilities	2
Offshore Oil-related	3
Workmen's Compensation and Employers' Liability	1
Others	1

Source: ISM Statistical Bulletin

- Lonpac's Combined Ratio, the sum of incurred losses and expenses as a percentage of earned premiums, was 67.4% compared to the industry average of 91.4% for the period January – September 2018
Source: ISM Statistical Bulletin

- Lonpac's Management Expenses Ratio was 20.1% as compared to the industry average of 22.9% for the period January – September 2018
Source: ISM Statistical Bulletin

We expect 2019 to remain a challenging year as insurance players continue to adjust to changes brought about by the liberalised framework. Continuing global trade turmoil may also dampen investor sentiment and affect economic activity in the country while price competition is expected to further intensify. However, if the Malaysian government decides to embark on any significant infrastructure project in the near term, it could function as a catalyst for certain segments of our business.

LPI's Board remains confident that the Group's healthy financial position, commendable capital adequacy ratio and business strategies are sufficient to ensure sustainability in its core business.

³ ISM Statistical Bulletin for the period January – September 2018.



As at 31 December 2018, the Group's capital adequacy ratio ("CAR") was much higher than the supervisory CAR of 130% set by BNM and the Group's Individual Target Capital Level.



CAPITAL MANAGEMENT

The management of the Group's capital holdings is guided by LPI Group's Capital Management Plan ("CMP"), and is aligned with the Group's business strategy and existing regulatory requirements. The CMP contains a comprehensive list of triggers and contingency solutions that will be activated by specific events or by the current level of capital adequacy.

The CMP also assesses risks and threats to the Group in stipulated scenarios. The CMP outlines the appropriate response to these risks and threats with the intensity of response dependent on the event or the extent of the capital threshold breach. The mitigating responses in the CMP aim to maintain normalised capital levels for the Group at all times to ensure business continuity.

As at 31 December 2018, the Group's CAR was much higher than the supervisory CAR of 130% set by BNM and the Group's Individual Target Capital Level. International rating agency A.M. Best Asia-Pacific Limited ("A.M. Best") also noted in its October 2018 report that Lonpac had solid risk-adjusted capitalisation, as measured by Best's capital adequacy ratio ("BCAR").

STRESS TESTING

The Group's stress testing exercise is guided by BNM's *Policy Document on Stress Testing* and aimed at identifying threats stemming

from potential adverse events. Stress testing has been tailored to take both the current business environment and the Group's risk profile into account. It also factors in the direction and scope of the Group's existing business activities into the risk model.

LPI Group's stress testing exercise is designed to be comprehensive, rigorous and predictive, and is regularly reviewed by both the Board of Directors and Management. The results of the review are used to identify and manage existing and potential risks that may have a negative impact on the Group's capital base and financial health. Members from the Board and Management are active participants in the stress test and are responsible for assessing the methodology, assumptions and testing results.

The stress testing exercise conducted in 2018 demonstrated that the Group has a strong CAR to support its business requirements and to provide an adequate buffer against potential underwriting volatility. The new liberalised regime has assigned greater risk management responsibility to insurers, and the Group is aware of its enlarged role under the new framework.

DIVIDEND POLICY

LPI Group has paid dividends to its shareholders every year since listing in 1993. The Group's practice of regular and healthy dividend payout is consistent with its capital

management strategies and is part and parcel of its overall reward to shareholders. The Group expects to continue this practice going forward, barring any sudden and drastic changes in the Group's financial and operational environment.

EXTERNAL BENCHMARKING OF LONPAC'S FINANCIAL STRENGTH

Lonpac voluntarily submits itself to an annual financial strength assessment by global insurance rating agency A.M. Best. This assessment functions as an external benchmark that provides our stakeholders with an objective benchmark to determine the financial strength and stability of the Company.

On 26 September 2018, A.M. Best upgraded Lonpac's financial strength rating to "A" and its issuer credit rating to "a" from "A-" and "a-" respectively. The ratings upgrade reflected a number of strengths including:

- A strong balance sheet
- Consistently robust operating performance
- Healthy fundamentals going forward

In particular, A.M. Best noted that Lonpac's performance remained strong despite the implementation of the second phase of liberalisation, and that its operating ratio, hovering around 60% between 2013 and 2017, was superior to its peers. Although the rating agency noted that liberalisation was expected to erode profitability, it remained confident that Lonpac would remain fundamentally robust going forward.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATING ACTIVITIES

The previous year was challenging for the Malaysian insurance industry as insurers felt for the first time the full impact of the liberalised regime. Although total gross written premiums for the industry grew by 1.5% compared to a decline of 0.3% in 2017, the more aggressive pricing strategy employed by insurers eroded margins, thereby resulting in a compression of net profits.

Two classes where we saw particularly stiff competition were Fire insurance and Motor insurance. Competitors, particularly those with foreign shareholding, started taking advantage of the flexibility in pricing accorded by the liberalised framework to launch new attractively priced products. We also faced other operational issues such as rising costs that affected the margins of our Health & Accident portfolio.

The year also saw moderating consumer sentiment owing to the uncertain economic climate caused by both local and global developments. The new Malaysian government formed in May 2018 decided to review the number of large infrastructure projects coming on stream in the country, subsequently affecting the country's economic growth in the near term. This also affected certain segments of our business, particularly those involved in providing cover for infrastructure projects. Likewise, the threat of a trade war between China and the US dampened investor confidence and is cause for greater uncertainty going forward.

Despite the difficult operating environment, Lonicpac's Management is pleased to report that it retained its market leadership in the Fire segment of the general insurance business. We anticipated that profit margins in this segment would be eroded by liberalisation and so we focused our efforts during the year on intensifying our customer and business acquisitions to offset the impact of narrowing margins.

While we expect operating conditions to remain the same in relation to liberalisation moving forward, we note that BNM is expected to conduct a review of the implementation of the Liberalisation Framework in 2019. Following the review, we will make adjustments to our business approach based on its findings.

The following section provides a breakdown of our operational activities during the year.

UNDERWRITING

The Underwriting Division is a crucial component of any insurance company. The Division is responsible for all our underwriting functions including:

- assessing and underwriting risk;
- providing technical advice to agents and clients;
- determining insurance terms and conditions;
- preparing policy documentation; and
- supporting marketing initiatives.

The Underwriting Division also provides technical training to staff and agents, and works with other departments to ensure that the front- and back-ends of the underwriting processing system are aligned.

Since the liberalisation of the Malaysian general insurance framework, the Underwriting Division has introduced a number of new products designed to take advantage of the new pricing regime. Some of the Division's key achievements in 2018 included:

- Developing three new detariffed Fire products: Mortgage Home Secure Plus, Home Secure Plus and Fire Secure.
- Continuing to implement a new IT system for Fire (BPM – Fire) which encompasses a new workflow system and a more comprehensive data entry system.

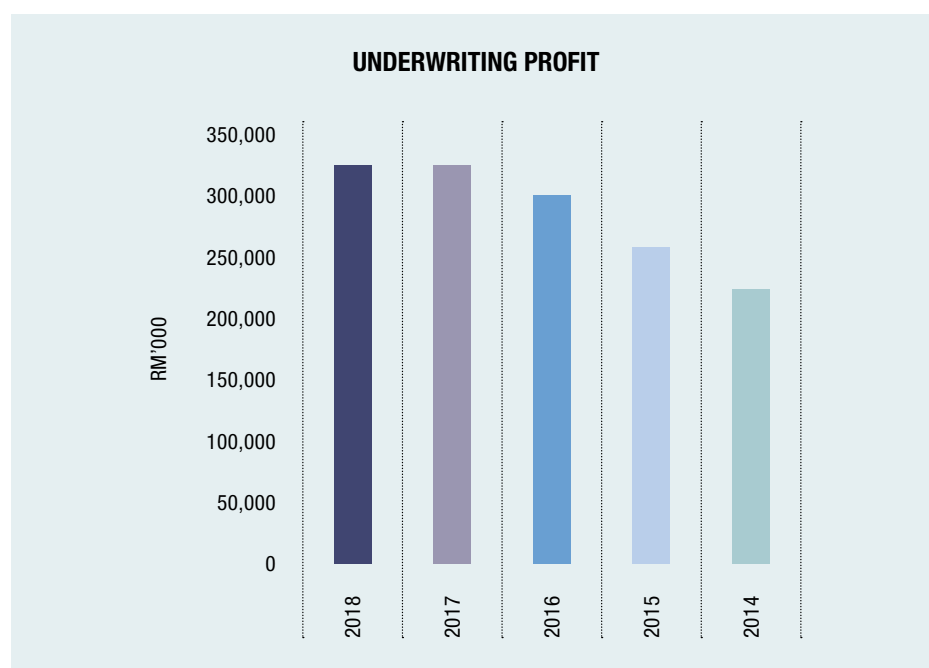
MANAGEMENT DISCUSSION & ANALYSIS

The introduction of the new workflow and products for Fire is part of Lonpac's overall strategy to maintain its market leadership in that class of business. The BPM systems will improve end-to-end efficiency while making the entire process more transparent. This will in turn provide important data for future analysis.

Moving forward, the Underwriting Division will continue exploring and developing new products to maintain Lonpac's leading position in the market.

Underwriting Division Performance Benchmarks for FY2018

The key benchmark tracking the performance of the Underwriting Division is underwriting profit and loss ratio. In 2018, Lonpac registered RM303.5 million in underwriting profit, which was a marginal 0.8% lower than the RM305.8 million posted in 2017. Meanwhile, its combined ratio increased to 67.4% from 64.0% due to an increase in its net claims incurred ratio and net commission ratio.



HEALTH & ACCIDENT DEPARTMENT

The Health & Accident Department was established in 2015 to support Lonpac's effort to develop its Medical insurance and Personal Accident ("PA") portfolio of business. Over the last three years, the Department has seen steadily increasing sales of Medical and PA products coupled with high customer persistency rates.

The Department promotes its products via worksite marketing to employees already insured under their employers' group health and group PA policies. It also collaborates with organisations with large customer bases to develop co-branded medical and PA products in order to tap into and leverage on a captive market. As at 30 September 2018, Lonpac was the fifth-largest provider of medical and health insurance in the Malaysian market, and held the largest market share in the individual health insurance market.

Medical insurance is one of the fastest-growing portfolios in our industry, posting more than 10% growth per annum over the last three years. However, the portfolio remains challenging, with claims catching up due to increasing medical costs. In an effort to offset medical inflation, the Health & Accident Department launched new products in 2018 and reviewed premium pricing to take into account the prevailing claims and increasing cost trend. This is a portfolio that has significant potential but requires close monitoring to ensure that the needs of the customer are met and that the pricing of coverage is adequate to risk.

By the end of 2018, gross premiums collected for health insurance grew 25.5% as compared to the same period of the previous year. Earned premium, meanwhile, grew 52.6% during the same time frame with the net claims incurred ratio standing at 77.7%. In the PA insurance business, Lonpac saw gross premium grow by 6.4% while the net claims incurred ratio for the portfolio stood at 55.0% by the end of 2018.

MANAGEMENT DISCUSSION & ANALYSIS

Business activity for the Health & Accident Department was bolstered by several key initiatives including:



Sales were also bolstered by the newly launched M-Line Solutions, which enables agents with substantial business to accept and issue standard health insurance using a mobile app. The experience acquired through the deployment of M-Line Solutions is expected to help the Department better cater to tech-savvy consumers in the future.

AGENCY NETWORK

Lonpac's network of agents was the main contributor of gross premium income in 2018, contributing RM663.0 million, which represents 45.1% of the total gross premium income. The agency network continues to perform admirably even as the Malaysian insurance market grows ever more competitive. Lonpac's agency network is overseen by the Agency Department.

The Department is responsible for recruiting and training agents, as well as retaining agents. Agent retention is an important priority for us as experienced and trained agents are key assets for the Company. We have, over the years, introduced and refined our incentive programmes to motivate and encourage improved performance from our agents, as well as to retain them in our stable. These programmes include sales incentive campaigns for select business classes, as well as international sales conventions for eligible agents.

Lonpac has targeted an annual 10% increase in its number of agents until 2019. In 2018, a total of 379 agents were recruited, which met the annual target of agency recruitment. The new recruits bring the total number of agents in Lonpac's network to 2,844.

We have focused our efforts in recent years on recruiting technologically savvy agents to aid in our Digital Transformation Strategy. The objective of building this group of digitally enabled agents is to better meet the needs of our evolving demographics, as well as to improve efficiency by driving greater automation through the use of technology. We expect sales from digital channels including online and mobile to improve with the help of these agents.

Lonpac organises annual conventions to recognise its top-performing agents. Conventions were held for its Titanium, Platinum and Gold Masterclub award holders in England & Scotland, Perth in Australia and Xiamen in China respectively. Membership in the Masterclub is fluid as it is based on the performance of the agents and other considerations. In 2018, Lonpac recognised 193 agents as Masterclub Members. An initial 16 Masterclub Members were identified when the programme started in 2006.

Lonpac Masterclub recognises top-performing agents based on their premium volume, profitability and their ability to build balanced portfolios. The recognition is designed to reward agents for their performance and encourage them to improve further.

MANAGEMENT DISCUSSION & ANALYSIS

BROKING & GLOBAL PARTNERSHIP

Lonpac's Broking and Global Partnership Department is responsible for managing two significant channels of business for the Company.

Broking

Lonpac's Broking Unit is focused on building and fostering relationships with brokers and obtaining their buy-in to achieve departmental goals. The Department ensures that delivery standards meet customer and broker expectations, and prioritises the delivery of business solutions rather than just product pricing.

Through our relationships with the brokers, Lonpac has been actively involved in the insurance programmes of several major government infrastructure projects, particularly those grouped under the Economic Transformation Project ("ETP") such as the Klang Valley MRT ("KVMRT").

In 2018, the Broking Unit contributed total gross premium income of RM117.0 million, representing 8.0% of Lonpac's total gross premium income. During the year, the Broking Unit secured the electrified double-tracking project from Gemas to Johor Bahru, which generated insurance premiums of about RM14.0 million.

The broking business in Malaysia has become an increasingly competitive market with the entry of new players in recent years. Competitors, spurred by the recently liberalised framework, have increased pressure in almost all areas of the broking business. At the same time, the decision by the new Malaysian government to reduce the number of large infrastructure projects coming on stream has also reduced the amount of business in this space, making it a more challenging environment for all players.

To offset the difficult working environment, Lonpac is focusing its efforts on integrating activities with other departments, e.g. collaborating with Health & Accident Department to capitalise on the fast-growing medical and PA insurance classes of business. Underwriters are working together with the pricing and broking/marketing teams to develop comprehensive and innovative product packages to meet changing demand.

Global Partnership

The long-term strategy of the Global Partnership ("GP") Unit is to build its stable of international partners that have no local representation in Malaysia. Under this arrangement, global partners introduce international clients to Lonpac while Lonpac provides insurance products and services covering their needs in Malaysia. The GP Unit is responsible for designing and issuing local policies in compliance with Malaysian rules and regulations for multinational clients with business and commercial interests in the country.

The diversification of partners is important as the global insurance industry remains volatile, and mergers and acquisitions of existing partners may have detrimental impact on our business. On a positive note, we have already signed two new partners and are in the process of obtaining two more. The Unit aims to tap into the existing platform provided by global partners to generate business activity to contribute to the overall performance of the Group.

Total premiums written by the GP Unit totalled RM109.6 million in 2018 representing an increase of 17.8% from RM93.0 million a year ago.

The Fire class of insurance once again ranked tops in terms of contribution to the Unit's business income. Apart from Fire, GP also undertakes specialised liability classes of business such as Directors & Officers Liability, Public Product Liability, Clinical Trial Liability and Professional Indemnity. The diverse portfolio of the GP Unit is part of Lonpac's overall strategy to establish itself as a serious and niche liability player.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL INSTITUTION

The Financial Institution (“FI”) Department collaborates with the LPI Group’s financial institution partners, primarily PBB, to develop and offer insurance solutions for FI clients. The Department is mainly involved in the Fire and Houseowner classes of business and provides insurance products as well as technical support. It also works collaboratively with financial institutions to explore new areas of business and to cross-sell non-mortgage-related insurance products. The FI Department was restructured in 2017 and segregated into two units, each with its own areas of focus: Business Development and Operations & Sales Support.

The FI Department introduced the Mortgage Home Secure Plus product in 2018, which is designed to give policyholders peace of mind in the event of emergencies affecting their property. This policy is designed to cover the mortgage payments for the homeowners should their property be eligible for claims.

Contributions from FI totalled RM377.2 million for the financial year under review, representing a 9.9% increase over the previous year. Income from the FI segment accounted for 25.7% of total gross premium income for the past year. The FI Department’s improved performance was due to the increased penetration into our FI partners’ client base. Increased referrals and lead generations from FI partners thereby resulted in higher premium income.

Despite the better performance, the FI Department saw a slower and more competitive market in 2018 with clients growing more price-sensitive. As with the rest of Lonpac, the FI Department will be increasing IT usage to enhance customer experience and improve the efficiency of delivery channels. The FI Department will also be looking to implement the end-to-end electronic delivery of all documentation, from the proposal stage to the issuance of policies.

CLAIMS

Given the highly competitive nature of the Malaysian general insurance market, differentiating ourselves from our competitors through more efficient and effective claims management is critical. Lonpac’s Claims Department is presently transforming the Group’s claims processes by leveraging on digital solutions that are integrated with robust business intelligence, document and content management systems. This enhancement is expected to improve claims processing efficiency and customer retention.

Over the last few years, the claims process has been impacted by the implementation of liberalisation in the Malaysian general insurance market. This is expected to intensify in the coming years as liberalisation reaches a peak. We are also expecting climate change to pose greater challenges to the insurance industry and insurers will need to be able to deliver business-as-usual claims in the midst of climate-related disasters.

The Claims Process

Operations-wise, the duties and roles of the Lonpac Claims Department are segregated to ensure the smooth running of the entire claims process. Proper and stringent claims control procedures are also in place to guard against fraudulent claims.

Adjusters and relevant experts are consulted when dealing with complex and/ or suspicious claims, while a review of claims is conducted regularly to ensure prompt adjustment of reserves in line with the latest available information and documents. We are also aided by ISM Insurance Services Malaysia Bhd’s Fraud Intelligence System (“FIS”) which helps identify potential fraudulent motor claims. FIS deploys cutting-edge technology and analytical techniques enabling cross-industry collaboration that integrates industry-wide data. The use of a real-time analytical engine calculating the probability for fraud at each stage of the claims cycle, right from claims notification to claims settlement, increases our effectiveness in combating fraud.

The Claims Process

As the claims process is vital to business planning and development, information such as customer comments, which provide feedback on our process, is treated with utmost importance and care. Customer experience and feedback help facilitate the strategic decision-making process of underwriters and risk managers, as well as the development of new business solutions addressing policyholders' needs. On top of meeting customers' and stakeholders' expectations, we treat every legitimate claim with utmost care in line with our philosophy of prioritising stakeholders' interests.

In addition, we have always been firm believers of continuous improvement within the organisation. Our staff are empowered and provided with regular training to improve productivity and proficiency. Performance criteria, processes and procedures are clearly documented and shared with the relevant personnel to ensure effective management of claims. A customer-friendly claims process is highly valued by policyholders as an accident or loss is usually associated with inconvenience and anxiety.

Improving the Claims Process through Digitisation

We are presently working on improving the operational efficiency of the claims management process and developing an operating system that will minimise claims cost and eliminate unnecessary expenses associated with claims handling. This is a comprehensive overhaul, which should see improvements throughout the entire value chain from the initial claims notification, the appointment of loss adjusters, to investigation and final settlement.

With digital capabilities becoming more robust, consumers will similarly increase the integration of digital solutions in every aspect of their lives. Correspondingly, insurance business and particularly the claims process must follow suit. The digitisation of the claims process will not only improve customer experience, but will also enhance claims efficiency, thereby generating significant value for the Company.

The ultimate goal is to have a faster, analytics-driven approach in place and a fully automated claims handling process for selected lines of business. This includes digitising the claims process by enabling access from mobile devices. It is important to note that emphasis has been placed on improving customer experience as well as improving operational efficiency.

Claims Department Performance Benchmark for FY2018

Lonpac is moving towards a new benchmark in claims handling where claims will no longer be viewed merely as a "back-end" operation. With our team of skilled and highly dedicated personnel working in designated classes of claims, Lonpac is setting itself apart from its competitors in the area of excellence in claims handling.

MANAGEMENT DISCUSSION & ANALYSIS

Claims Department Performance Benchmark for FY2018

The productivity of the Claims Department is measured by the number of claims settled per staff during the year. Productivity continued to improve with 1,462 claims settled per staff as compared to 1,395 claims settled per staff recorded in 2017.

Statistics of claims registered and settled in 2018 are as follows:

Class	No. of claims registered		No. of claims settled	
	2018	2017	2018	2017
Fire	3,781	4,875	1,851	2,243
Marine	837	768	523	478
Personal Accident	4,237	8,987	3,246	7,906
Miscellaneous	7,356	5,903	6,424	4,984
Health	11,874	9,810	9,589	7,825
Workmen's Compensation	1,408	1,363	579	528
Motor	25,087	23,252	13,616	13,395
Liability	1,203	1,344	316	333
Bond	123	29	90	23
Aviation	1	0	0	0
Engineering	900	818	316	307
Total	56,807	57,149	36,550	38,022

With our clearly managed claims processes, we are confident that our efforts will bring even greater satisfaction to our customers.

INFORMATION AND COMMUNICATIONS TECHNOLOGY ("ICT")

Lonpac's IT Department plays a crucial role in all of its operations, facilitating day-to-day activities. It is also responsible for ensuring that the Group's ICT systems keep pace with new technological developments, ensuring that Lonpac's products and services meet customer expectations and are at optimal levels.

Some of the Department's activities in 2018 included:

- **Complying with Tax and Regulatory Requirements**

The IT Department was responsible for ensuring that the Company's systems complied with the new government directive to effectively abolish the Goods and Services Tax ("GST") and to replace it with the Sales and Service Tax ("SST"). Given the relatively short time frame to comply with the new directives, the IT Department took immediate measures to ensure that all our systems complied with the new tax regime.

• **Developing New Products**

A number of new projects focused on developing new products for the Fire class of insurance have been ongoing since the liberalisation of the Fire Tariff on 1 July 2017. The IT Department played an instrumental role in the development of these products, which involved ensuring sufficient back-end and distribution support. Some of the new products in 2018 included:

▶	Fire Secure
▶	Fire Home Secure
▶	Fire Property Secure
▶	Home Secure Plus
▶	Mortgage Home Secure Plus
▶	Global All Risks

The Department also helped develop a new health product, Hospitalisation and Surgical Insurance MediSavers 2018, which was launched in June 2018.

• **Collaborating with Intermediaries**

With mobile devices becoming the dominant medium for information and web access, Lonpac took a decision to collaborate with Pathlab Health Management (M) Sdn Bhd (“PHM”) to sell health insurance via PHM’s online portal. Through this functionality, PHM’s customers can purchase insurance online and the policy is issued almost immediately upon receipt of payment.

• **Fraud Intelligence System (“FIS”)**

FIS is an initiative by BNM aimed at combatting fraudulent claims. The system pools together insurance industry data and uses analytics-based solutions to detect and investigate cases of insurance fraud. Lonpac is both a supporter and active participant in the FIS initiative.

Lonpac completed the integration of FIS into its systems in April 2018. Subsequently, all registered claims were submitted to FIS for fraud assessment, which rates the risk of the claim and returns it to the Lonpac system. The rating represents how likely the claim is fraudulent. With FIS in place, we believe that fraudulent claim payouts will be reduced and that we will be more efficient in resource management.

• **Systems Enhancement**

The claims system was enhanced to improve control over the approval of submitted claims. Under the new enhanced claims system, restrictions are set based on the claims authority limit of the relevant staff. The approval of the claims can also be tracked for discrepancies which in turn mitigates the risk of unauthorised claims approval. The enhanced claims system was implemented in October 2018.

• **Bandwidth Upgrade**

The recent effort by the government to improve Internet broadband services enabled Lonpac to double its existing Internet bandwidth without additional operational cost. The upgrade improved user internet access performance, download and upload speeds, and facilitated faster communication between users and clients.

• **Storage Upgrade**

In keeping pace with growing business data volume and to further enhance the mission-critical system performance, Lonpac upgraded its existing Unified Storage Area Network (“SAN”) storage to an all-flash storage solution. The implementation of this upgrade accelerated high input-output (“I/O”) throughput performance, subsequently optimising overall core business systems performance.

• **Email Classification**

One of our data security initiatives for 2018 was to implement a message tagging system on email communication. This effort aligns the classification of emails with our corporate Data Classification policy. The new tagging system increases security and data sensitivity awareness on email communication between Lonpac and its business partners.

• **Business Intelligence (“BI”) System Upgrade**

We upgraded the BI system, enabling users to track, analyse and manage vital business information in our systems. The upgraded system improved performance, flexibility and functionality.

• **Security**

Lonpac enhanced the security of its firewall through an upgrade. The implementation of a next-generation firewall beyond legacy technology keeps us ahead of cyberattacks through the use of the latest detection engines. All security devices have been equipped with the latest security protection signatures and updated with the latest security patches as part of our routine data security practice.

Lonpac has deployed an integrated security framework which contains functionalities such as vulnerability monitoring, patch management and ongoing risk assessment and management, as well as traditional cyber defences such as perimeter security, intrusion detection, security configuration management, manual penetration testing and web application security assessment. These functionalities are critical in detecting and mitigating potential vulnerabilities and security gaps that could lead to data breaches.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK AND MOVING FORWARD

The Malaysian economy is expected to expand at a slower-than-expected rate in 2019 following mixed results in the first- and second-half of 2018. The Malaysian Institute of Economic Research (“MIER”) noted that the latest trade data reflected weakening global demand, which is consistent with the declining index of export-oriented industries in the Industrial Production Index since the start of 2018.

The think tank further noted that global demand was being disrupted by renewed protectionist sentiment in major economies capped by the threat of an intensifying US-China trade war. The fallout from these trade disagreements has far-reaching ramifications, including for the Malaysian economy. A reduction in China's exports to the US is expected to have a significant knock-on effect on Malaysia's export demand, MIER said, as many of China's exported goods to the US contain Malaysia's components.

Although Malaysia's growth is driven by domestic demand, this too may moderate in line with the slowdown in investment activities. This is due in part to a government policy to review and reassess big-ticket infrastructure investments in a bid to curb the ballooning national debt. This policy may have a spillover effect on private investment, which in turn may have a negative influence on private consumption.

OUTLOOK FOR THE INSURANCE INDUSTRY

BNM's timeline to implement the full liberalisation of the general insurance industry will depend on the result of a review expected in 2019. In the meantime, the insurance sector is expected to continue facing pressures on its margins with competition threatening to erode profitability.

It is also unlikely that any large government infrastructure project will be introduced in the foreseeable future to act as a catalyst rejuvenating the industry. Hence, 2019 will remain challenging barring any sudden and substantial changes. Muted consumer demand due to economic uncertainty will also pose new challenges to the sale and distribution of insurance products, forcing insurers to be creative in balancing value for customers and their own business needs.

Despite the near-term challenges, the long-term outlook for the Malaysian insurance sector remains positive. Insurance assets continue to be under-represented in terms of total assets in the Malaysian financial system, the vast majority of Malaysians are uninsured and there remains substantial room for professional and industry development. Indeed, BNM has promised to launch a blueprint outlining the areas of development required for the Malaysian insurance industry in the coming years.

EXPECTATIONS AND OPPORTUNITIES

The LPI Group performed relatively well against its peers in 2018, but the Group expects competition to further intensify in 2019. While we remain focused on enhancing revenue and market share, we are aware that the extenuating operating environment may grow increasingly challenging due to external factors beyond our control. Aside from global economic instability, a decision by the US Federal Reserve to increase its interest rate may also be detrimental to the Malaysian economy as investors will be enticed to pull out from developing markets.

One factor in our favour is that the last few years have shown that Lonpac's strategy of focusing on product development, enhancing distribution and collaborating with key partners is working. We will continue to work on these going forward even as we seek to grow our market share in light of increasing liberalisation. Our efforts at restructuring some of our existing portfolios, such as the Health & Accident class, is expected to result in positive contributions in the coming year.

In conclusion, we expect the Digital Transformation Strategy to make us more attractive to a previously untapped customer segment. We are optimistic that this will be positive for us in the long term. Although we are still at the early stages of the transformation, our focus on improving customer and user experience should see immediate results from our new website and mobile app in 2019.

SUSTAINABILITY REPORT

DEAR STAKEHOLDERS,

LPI Capital Bhd (“LPI”) is immensely proud of its sustainability practice and track record of creating value for our stakeholders since the founding of the Group over 50 years ago. We believe that sustainability is a fundamental goal of all organisations, and the priority we place on ensuring sustainability is evident from our prudential approach to underwriting risk, maintaining business profitability and developing our communities.

Since 2016, the Group has been tracking and reporting its sustainability practice in accordance with the guidelines stipulated by the Malaysian stock exchange operator Bursa Malaysia Securities Berhad (“Bursa Securities”). Under these guidelines, we have adopted materiality indicators and definitions that allow for greater benchmarking and comparisons of our non-financial performance across the industry. The Group has continued to refine its sustainability practice over the last two years to develop a more robust and comprehensive set of sustainability policies.

One of the key changes implemented in 2018 was to expand the scope of our Sustainability Report to incorporate the activities of our Singapore branch. These have been included in our report, thereby providing a more thorough overview of Lonpac Insurance Bhd (“Lonpac”)’s entire business. Where relevant, the data from Singapore has been reported separately to allow for a more granular analysis of our sustainability performance by geographical location.

We have also continued to enhance our materiality assessment and stakeholder engagement process following feedback from our regulators and stakeholders. In response to comments on our previous years’ reports, we have further improved our stakeholder engagement process and conducted floor-surveys at our Annual General Meeting to obtain immediate and candid feedback from shareholders. We have also enlarged our list of materiality indicators to be better aligned with the industry’s indicators, and broken up some of the categories.

In addition, we have indicated in the report that we will be making the transition to integrated reporting within the next two years, and preparatory steps are being taken to ensure a smooth transition. We believe that this change to integrated reporting will help our stakeholders better assess the value that we create through our activities, and look forward to the new challenge of integrated reporting.

I would like to thank the Management and staff of LPI and Lonpac for their hard work in the preparation of this Sustainability Report. While we are presently operating in uncertain times with the Malaysian general insurance industry continuing to liberalise and global markets still in a volatile state, I believe that our business vision and commitment to sustainability will see us through this challenging period.

Thank you.

A NOTE FROM THE CHAIRMAN OF THE BOARD

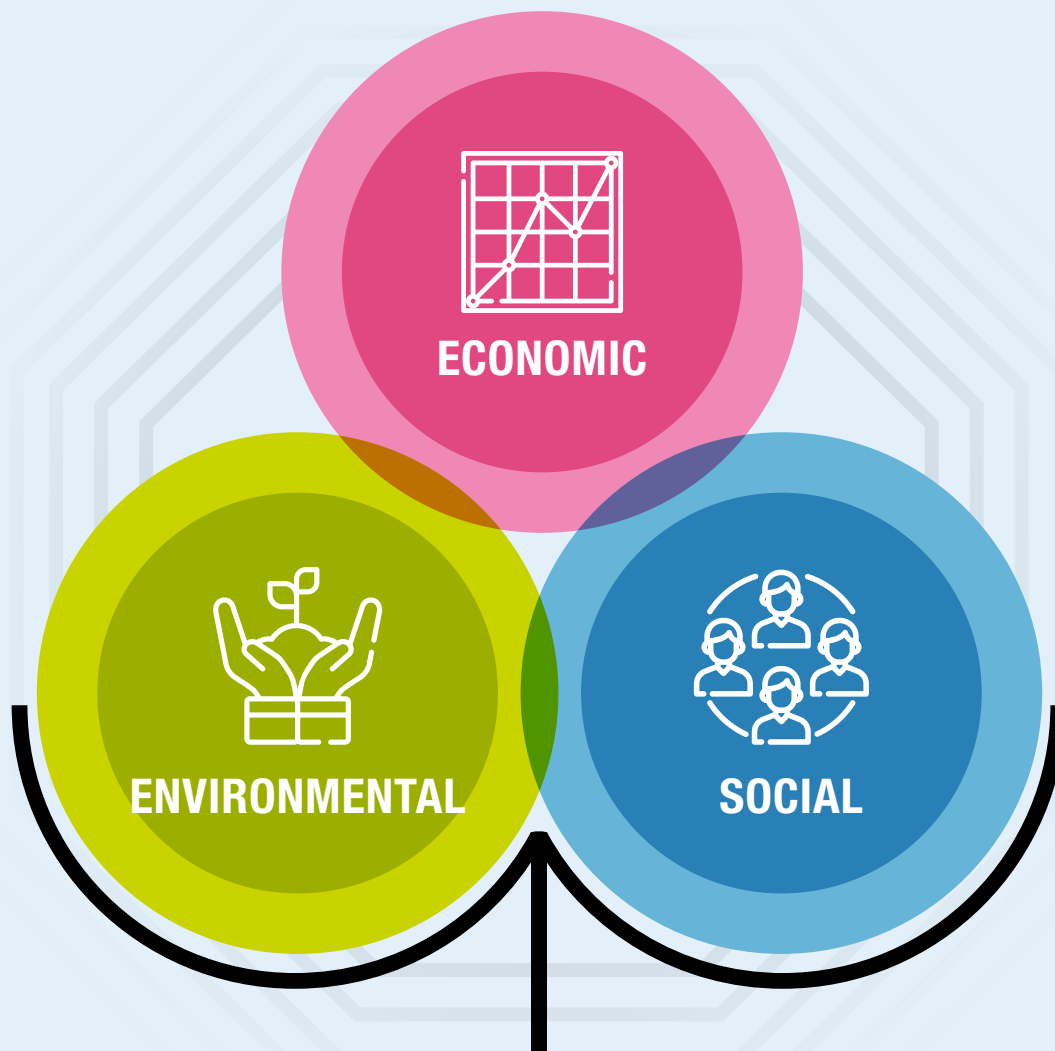
SUSTAINABILITY REPORT

We believe that this change to integrated reporting will help our stakeholders better assess the value that we create through our activities, and look forward to the new challenge of integrated reporting.

Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Independent Non-Executive Chairman



Our approach to **SUSTAINABILITY**



ABOUT THIS SUSTAINABILITY REPORT

This Sustainability Report discloses material sustainability issues and impacts arising from the activities of LPI and its wholly-owned subsidiary Lonpac. The contents of this Sustainability Report have been reviewed and endorsed by LPI's Board of Directors ("Board").

The Board is represented on the Sustainability Committee by its Executive Director Mr. Tan Kok Guan, who is also the chairman of the Sustainability Committee.

SUSTAINABILITY REPORT

This Sustainability Report was prepared in line with the guidelines provided by Bursa Securities. All efforts have been made to provide a thorough and comprehensive disclosure of the impact of all activities. As with our previous reports, we have continued to amend our definitions and processes as we continue to improve on our sustainability framework.

Material sustainability issues are issues that may positively or negatively influence LPI Group's ability to deliver on our corporate mission to be Malaysia's preferred premier insurance solutions provider. These issues have a direct impact on our stakeholders, which include our customers, business partners, employees and regulators, and a ripple effect on our performance as a business entity. A complete list of our key stakeholder groups and our relationships with them is discussed in a later section on page 60.

The preparation of this report was guided by the principles contained within the AA1000 AccountAbility series, which are designed to help organisations become more accountable, responsible and sustainable.

REPORT SCOPE

The scope of this report extends to the sustainability impact of the general insurance operations and initiatives of LPI's wholly-owned subsidiary Lonpac. This report also takes into consideration the sustainability impact of our operations in Singapore, which is a first for us. However, we have not included the sustainability impact of our operations in Cambodia, which is managed by our 45%-owned associated company Campu Lonpac Insurance Plc.

Specifically, the scope of our Sustainability Report is defined by the roles that we play as a general insurance provider in relation to our stakeholders. Some of these include:

- Providing insurance coverage for individuals, and for commercial and industrial customers, including customers from the public sector involved in national infrastructure development
- Contributing to the growth of the national economy through the remittance of taxes, job creation and procurement activities
- Employing a network of 803 staff and 2,844 agents in our operations in Malaysia and Singapore
- Supporting organisations that actively work towards enriching and empowering the less fortunate in society
- Creating value for our shareholders
- Supporting the development of the Malaysian insurance industry through our relationships with our regulators, business partners and other insurers in the field

From this perspective, the scope of the report is very much bound by our activities and the relationships that we have with our stakeholders.

Our Core Values

The LPI Group's sustainability framework is built on a set of core values that forms the basis of our culture. Our core values represent the way we conduct ourselves, and outline our responsibilities to our customers, stakeholders, employees and communities. Our core values are as follows:

Aspire to be the **LEADER** in the insurance industry in Malaysia and in the region.

Commitment to **OPERATIONAL EXCELLENCE** guided by integrity and professionalism.

Creating **NEW AND INNOVATIVE** market-relevant insurance products.

PROVIDING a fair, caring and merit-based working environment.

ADOPTING a proactive and accountable approach to stakeholders.

CRAFTING a premier insurance brand identified for good corporate governance and corporate responsibility.

MANAGEMENT APPROACH TO SUSTAINABILITY

We believe that sustainability must involve the entire value chain of the Group. It begins at the very top with our Board of Directors and extends all the way down to our on-the-ground staff and our business intermediaries and partners. In terms of execution, Lonpac, the operational arm of the LPI Group, is best positioned to identify and implement our sustainability strategies. Hence, the management of the sustainability framework resides mainly at the Lonpac-subsidary level even though overall responsibility for sustainability sits at the very top of our organisation.

As a leading insurer in Malaysia, Lonpac regards both its fiduciary and non-obligatory duties to stakeholders as among its most important priorities. The discharge of these duties takes on various forms depending on the stakeholder and the nature of the relationship.

For our customers, we ensure that our insurance products are available at fair prices and on equitable terms. For our employees and agents, we strive to support their professional development by providing adequate training and career advancement opportunities. And for our community, we actively support development partners by providing funding and by participating in their activities.

To help us identify the nature of our obligations to our stakeholders, our sustainability approach is anchored on the sustainability concepts of Economic, Environmental and Social ("EES"). These correspond to the areas of impact of our sustainability activities, which are specified in our sustainability management framework, also known as Lonpac Cares. The following table provides an overview of our sustainability management approach and framework.

Sustainability Area under Lonpac Cares	Mapped EES Area	Key Stakeholders
Community Development	Economic/ Social	Communities
Environmental Conservation	Environmental	Environmental Stakeholders
Marketplace Development	Economic/ Social	Shareholders and Investors
		Customers
		Legal Entities
		Media
		Business Partners
Workplace Management	Economic/ Social	Employees and Agents

These four areas comprehensively outline the EES impact of our activities and also identify the stakeholders who are impacted by our activities. We believe that developing these four sustainability areas is vital for the continued long-term commercial success of Lonpac, and to help us reach our goal of creating sustained value for our stakeholders. These areas also delineate our policies and initiatives, and guide our entire sustainability practice.

Additional details about Lonpac Cares and our initiatives can be found on pages 66 to 81 of this report.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

LPI's sustainability practice is overseen by the Group's Sustainability Committee, which was established on 27 June 2016. The roles of the Sustainability Committee include directing, managing and overseeing the sustainability activities of the Group, and to report its findings to the Board of Directors. The Board is represented on the Sustainability Committee by a director who is appointed the Chairman of the Sustainability Committee. Other senior managers of Lonpac, including its Chief Executive Officer ("CEO") and Deputy CEO, also sit on the Sustainability Committee.

Roles of the Sustainability Committee

The Sustainability Committee plays a direct role in implementing the Company's sustainability initiatives and is also responsible for adjusting the Group's sustainability policy based on feedback and new findings. It develops new initiatives, obtains Board endorsement for the Group's sustainability policy, and measures initiative outcomes against Key Performance Indicators ("KPIs"). The Sustainability Committee's roles are specified in greater detail below:

Identifying Material Indicators

The Sustainability Committee is responsible for identifying sustainability issues that are material to the organisation. Material indicators are defined as issues that have an impact on the Group's EES footprint or on any of the Group's identified stakeholders.

Liaising with the Board of Directors

The Sustainability Committee is responsible for obtaining Board endorsement of the Group's sustainability vision and strategy. In particular, the Sustainability Committee engages the Board to:

a. Obtain sustainability concerns and feedback from directors

Best practice requires that sustainability be addressed at all levels of the organisation, including at the level of the Board. The Sustainability Committee acts as the direct liaison between LPI's Management and Board of Directors, and engages the Board to discuss sustainability matters during Board meetings. It appraises the Board on sustainability matters including sustainability concerns, initiatives and outcomes, and also seeks feedback from the Board with regard to individual concerns or questions about the Group's sustainability practices.

b. Seek Board approval on sustainability policies and initiatives

The Board is the highest governing body in any corporate entity, and must assess and approve key strategic matters including sustainability. At LPI, the Sustainability Committee is responsible for presenting the Board with identified sustainability issues and recommending policy changes to better align them with business strategy. The Board is responsible for assessing, reviewing and approving the proposals. The Board is also responsible for endorsing the overall sustainability vision and strategy for the entire organisation, which has been developed by the Sustainability Committee.

c. Report on sustainability progress

The Sustainability Committee is responsible for the periodic reporting of the progress of sustainability initiatives against identified goals. The Board is responsible for reviewing the results presented before them and making the appropriate assessment of the results.

Developing Our Sustainability Vision and Strategy

Lonpac's sustainability vision and strategy was developed by the Sustainability Committee in consultation with the Board of Directors as well as other stakeholders. The strategy is aligned with the LPI Group's long-term business vision stipulated in our Corporate Mission statement:

“Our primary focus is to provide innovative insurance products supported by customer-centric service excellence. We aim to provide our insured an easy channel for all their insurance needs.

Our brand is representative of the way we conduct ourselves and the approach to organisational development. We aim to create an environment for our people that is fair, caring and accountable.

Our drive is to create value for our stakeholders, anchored to our vision and corporate mission. We strive for sustainability through financial and technical strength based on recognised and proven standards.”

Our Sustainability Vision Statement complements the Corporate Mission, and was developed to guide and govern our sustainability strategy. The Sustainability Vision Statement reads as follows:

“Our sustainability goal is to create sustained value for our key stakeholders including our community, customers, employees and shareholders, through the long-term management of sustainability risks and opportunities, and through our unwavering adherence to good corporate governance.

We remain committed to dispensing our role as an insurance provider in good faith to ensure that we provide sufficient coverage to our customers in their time of need.

Finally, we are committed to maintaining our position as a leading insurer in Malaysia and to ensure that our presence makes a positive difference in the communities where we operate.”

KEY ACHIEVEMENTS 2018

Following feedback from our regulators and stakeholders, LPI's Sustainability Committee expanded the scope of its sustainability practice to incorporate the sustainability activities of our Singapore branch into this year's report. The outcomes from our Singapore branch were previously excluded as the Committee felt that the small size of our Singapore operations relative to total operations did not make any significant impact on reporting. In the interest of full disclosure, we have decided to include Singapore's sustainability impact in this year's report.

In addition, we have further enhanced our materiality assessment process to better incorporate material indicators identified for the insurance industry. Accordingly, our number of material indicators has increased from 9 in 2017 to 15 in 2018. The increase in the number of material indicators has allowed for greater granularity in assessing our sustainability impact, and are discussed in greater detail in the following section.

SUSTAINABILITY REPORT

The following table summarises the way in which our material indicators have been split into more discrete categories in 2018.

2017 Material Indicators	2018 Material Indicators
National Contribution	National Contribution
	Job Creation
Governance and Responsible Business Conduct	Corporate Governance
	Claims Management
Partners' and Agents' Loyalty	Partners' and Agents' Loyalty
	Partners' and Agents' Competency
Responsible Investment	Responsible Investment
Privacy and Data Protection	Privacy and Data Protection
Product Availability and Affordability	Product Availability and Affordability
	Employee Competency
Employee Development and Welfare	Workplace Diversity
	Employee Welfare Development
	Workplace Safety
Shrinking Our Carbon Footprint	Shrinking Our Carbon Footprint
Social Responsibility	Social Responsibility

With the addition of the new list of material indicators, we have constructed a new materiality matrix, which can be found on page 65 of this report.

SUSTAINABILITY GOALS MOVING FORWARD

The LPI Group made a commitment to enhance its reporting practice and its sustainability framework by 2020, and will produce its first integrated report in line with the <IR> Framework. As per the <IR> Framework's definition:

"Integrated reporting has been created to enhance accountability, stewardship and trust as well as to harness the information flow and transparency of business that technology has brought to the modern world. Providing investors with the information they need to make more effective capital allocation decisions will facilitate better long-term investment returns."

The Group is steadfastly behind all efforts to promote more uniform and improved disclosures of organisational health, and a key facet of this reporting process is the organisation's sustainability.

Following a preliminary survey of the <IR> Framework's requirements, the Sustainability Committee concluded that the existing sustainability framework is insufficient to capture all data necessary for the production of an integrated report. To that end, we have appointed an external consultant to review our current processes and advise on areas that require further enhancement ahead of our 2020 deadline.

In the meantime, we will continue to focus on improving our existing sustainability reporting framework in consultation with our stakeholders. Some of the continuing measures that we have put in place include delivering on our digital strategy to emphasise digital transactions and to enhance shareholder returns through costs reduction and greater productivity. We are also constantly assessing the market, particularly in this period of phased liberalisation, to ensure that our products and our employees meet customer expectations and demands.

We welcome all comments and suggestions as to how we can further strengthen our sustainability practice. Please direct all correspondence to sustainability@lonpac.com.

STAKEHOLDER IDENTIFICATION

The Sustainability Committee identified eight key stakeholder groups that have an impact or are directly impacted by our business activities. Our identified stakeholders have remained unchanged from the previous year. They are as follows:

- **Employees:**

These are our employees who form the backbone of our operations and are directly responsible for all our business activities.

- **Business Partners:**

Business partners refer to third-parties who facilitate our business including agents, lawyers, adjusters and reinsurance companies, as well as other corporate intermediaries.

- **Shareholders & Investors:**

These are stakeholders who hold a direct financial stake in the LPI Group.

- **Customers:**

Customers are the consumers of our insurance products and key to the continued profitability of our Company.

- **Communities:**

These are the communities in which we serve and operate, both as an insurance provider and as a member of the community.

- **Legal Entities:**

Legal entities include regulatory authorities that oversee the legal framework in which we operate including Bank Negara Malaysia ("BNM"), Bursa Securities and Persatuan Insurans Am Malaysia ("PIAM").

- **Media:**

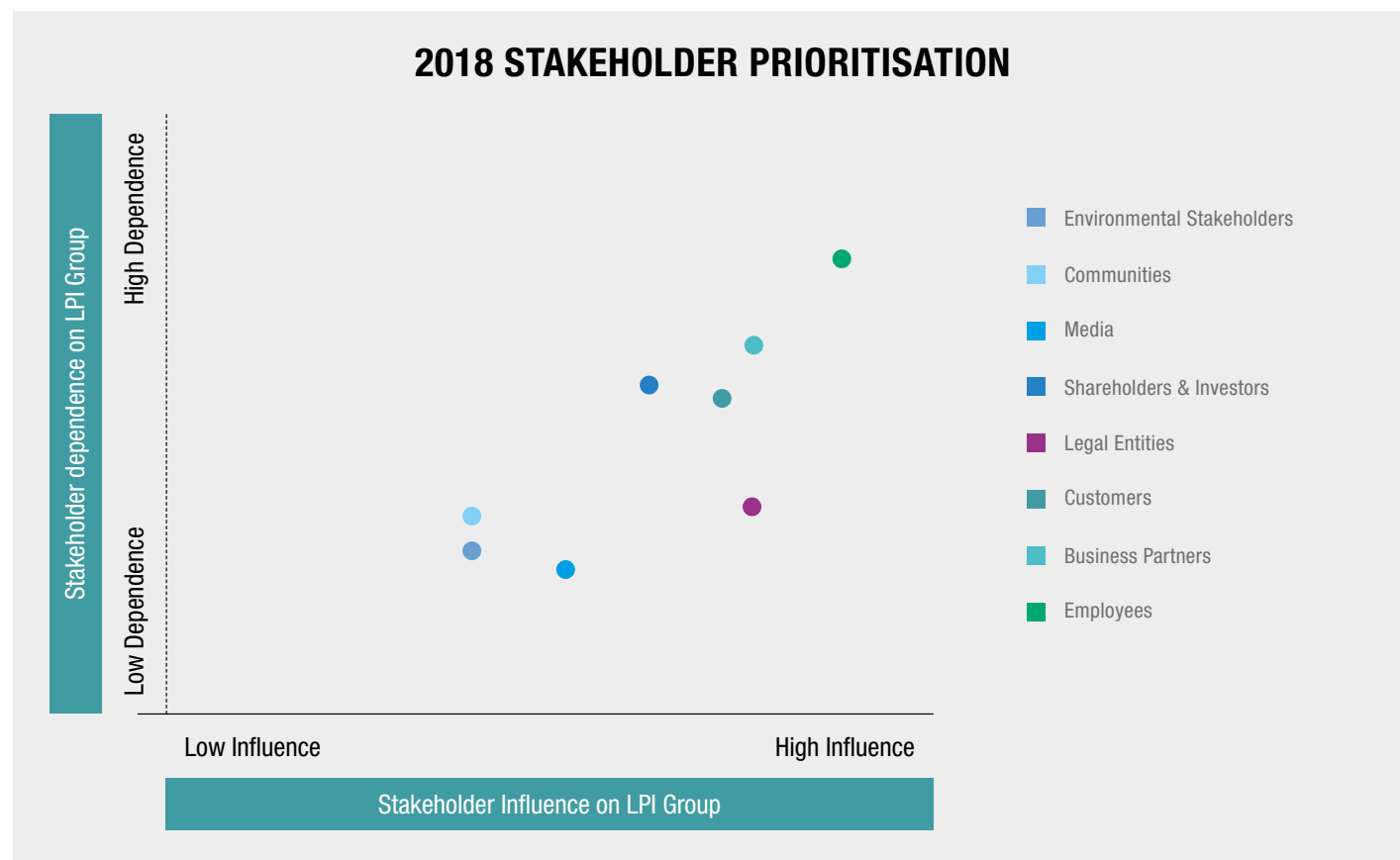
The media is responsible for communicating the public image of our Company and includes analysts who act as the liaison between the LPI Group and investors.

- **Environmental Stakeholders:**

These are organisations that have a vested interest in the protection of the environment.

SUSTAINABILITY REPORT

The stakeholder prioritisation matrix is illustrated below.



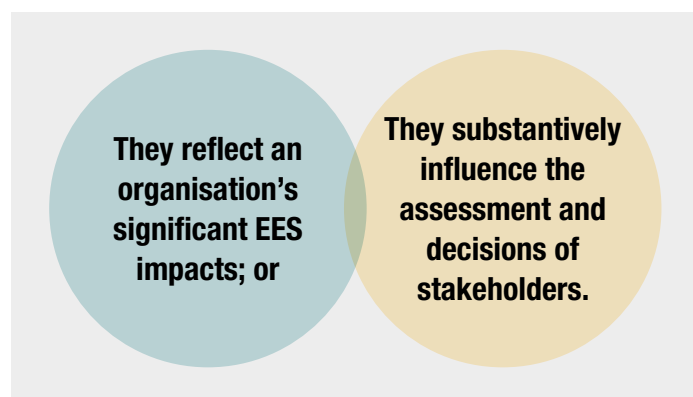
In 2018, we received 603 responses from stakeholders surveyed. The following is a breakdown of the age profile and gender of these respondents:

Age Band	Male	Female	Not Available ^{N1}	Total
25-30	31	50	3	84
31-40	69	76	2	147
41-50	91	79	2	172
51-60	65	42	5	112
More Than 60	45	21	9	75
Not Available ^{N1}	4	1	8	13
Total	305	269	29	603

^{N1} - Respondents prefer to remain anonymous.

MATERIALITY ASSESSMENT

Materiality, in sustainability terms, is not limited to matters that may have significant financial impact on the organisation, but also includes those matters that directly or indirectly affect the way we operate. For practical purposes, we have adopted the definition of materiality provided by Bursa Securities, which states that sustainability matters are deemed material if:



These material indicators have been subsequently grouped into three categories, namely Economic, Environmental and Social, or EES.

Our list of material indicators has grown organically over the past two years. Beginning with issues identified by the Sustainability Committee, the list has been expanded over the years following our engagements with stakeholders and from feedback received from pertinent parties. In accordance with best practice, we have ranked these material indicators based on interviews and surveys with our stakeholders.

In 2018, our number of material indicators rose from 9 in the previous year to 15. The 15 material indicators and their grouping under our sustainability structure are illustrated in the table below.

EES Pillar	Material Indicators	EES Category
Marketplace Development	National Contribution	Economic
	Job Creation	
	Partners' and Agents' Competency	
	Claims Management	
	Corporate Governance	
	Partners' and Agents' Loyalty	
	Responsible Investment	
	Privacy and Data Protection	
	Product Availability and Affordability	
Workplace Management	Employee Competency	Economic
	Workplace Diversity	
	Employee Welfare Development	
	Workplace Safety	
Community Development	Social Responsibility	Social
Environmental Conservation	Shrinking Our Carbon Footprint	Environmental

These 15 material indicators were prioritised by our stakeholders in order of importance to them. Stakeholders surveyed in 2018 included:

- ▶ Walk-in customers at Lonpac branches
- ▶ Shareholders attending our Annual General Meeting
- ▶ Business partners and intermediaries including:
 - Adjusters
 - Lawyers
 - Agents and Corporate Clients
- ▶ Community representatives
- ▶ Lonpac employees

SUSTAINABILITY REPORT

The expanded stakeholder survey showed that stakeholders have changed their priorities in line with the changing environment, and the change is illustrated in the table below.

Stakeholder Assessments 2018

Privacy and Data Protection

Corporate Governance

Employee Competency

Claims Management

Workplace Safety

Partners' and Agents' Loyalty

Employee Welfare Development

Partners' and Agents' Competency

Product Availability and Affordability

National Contribution

Responsible Investment

Job Creation

Shrinking Our Carbon Footprint

Workplace Diversity

Social Responsibility

Stakeholder Assessments 2017

Governance and Responsible Business Conduct

Privacy and Data Protection

Product Availability and Affordability

Employee Development and Welfare

National Contribution

Partners' and Agents' Loyalty

Responsible Investment

Social Responsibility

Shrinking Our Carbon Footprint

Based on the latest survey, we found that Privacy and Data Protection and Corporate Governance remained the top material indicators for our stakeholders although their order of importance has switched. There is also a significant increase in the importance of Employee Competency, which suggests that our stakeholders value our ability to retain an experienced and skilled workforce. This may reflect a growing worry that liberalisation has increased competition and that it has become more necessary to retain our competitive edge.

In addition to polling stakeholders outside LPI Group, we also polled our internal stakeholders, including our staff and Management. For comparative purposes, we have used Management's assessment (LPI Assessment) of material indicators as a benchmark to identify the different priorities of our other stakeholders, which includes the priorities of our staff.

COMPARISON OF MATERIAL INDICATORS

Stakeholder Assessments 2018

Privacy and Data Protection

Corporate Governance

Employee Competency

Claims Management

Workplace Safety

Partners' and Agents' Loyalty

Employee Welfare Development

Partners' and Agents' Competency

Product Availability and Affordability

National Contribution

Responsible Investment

Job Creation

Shrinking Our Carbon Footprint

Workplace Diversity

Social Responsibility

LPI Assessment 2018

Employee Competency

Partners' and Agents' Competency

Claims Management

Partners' and Agents' Loyalty

Product Availability and Affordability

Employee Welfare Development

Corporate Governance

Job Creation

Responsible Investment

Privacy and Data Protection

Workplace Safety

National Contribution

Workplace Diversity

Shrinking Our Carbon Footprint

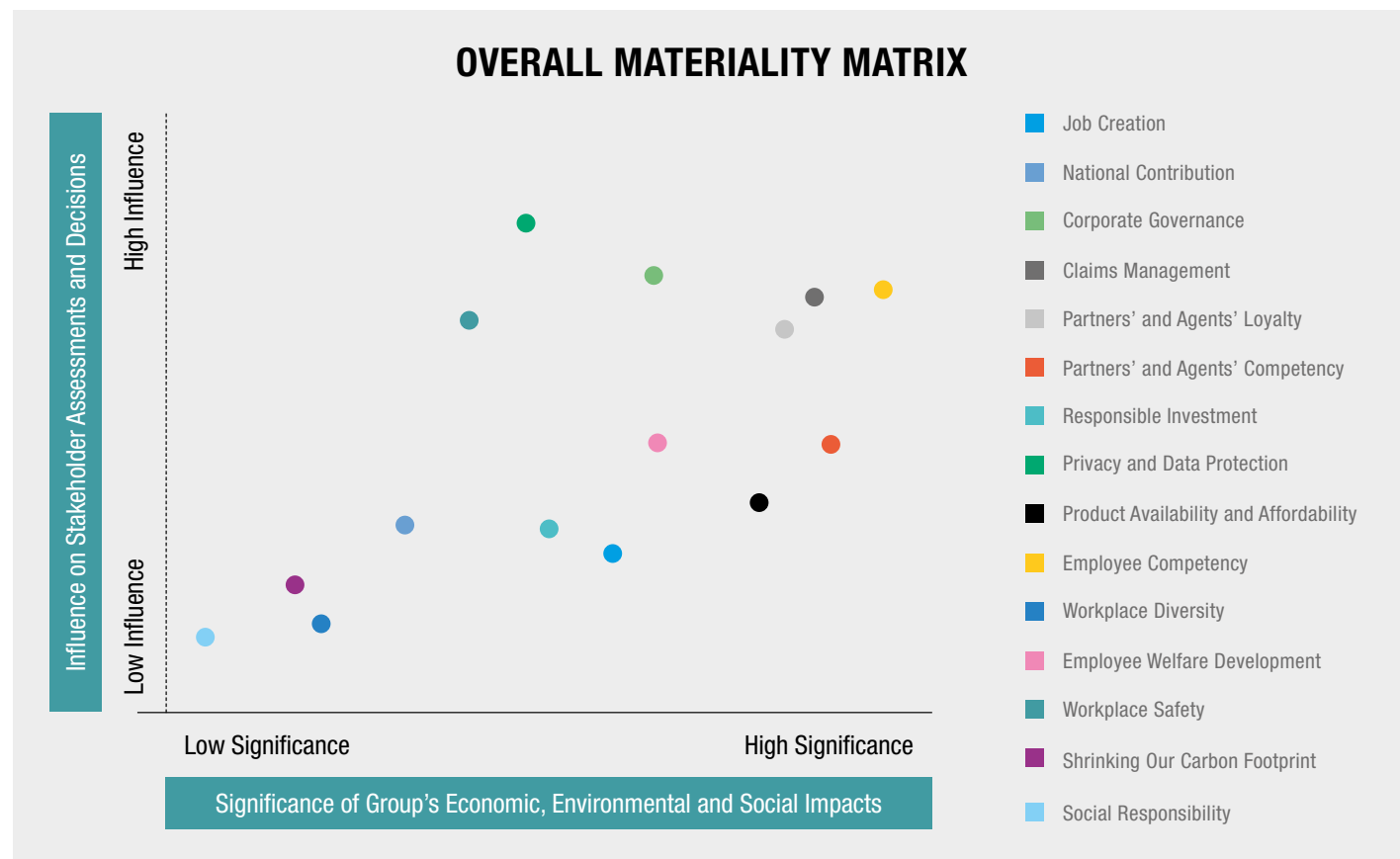
Social Responsibility

As the graphic shows, Management tends to be more concerned about operational efficiency and employee competency whereas our other stakeholders tend to be more focused on stakeholder protection.

SUSTAINABILITY REPORT

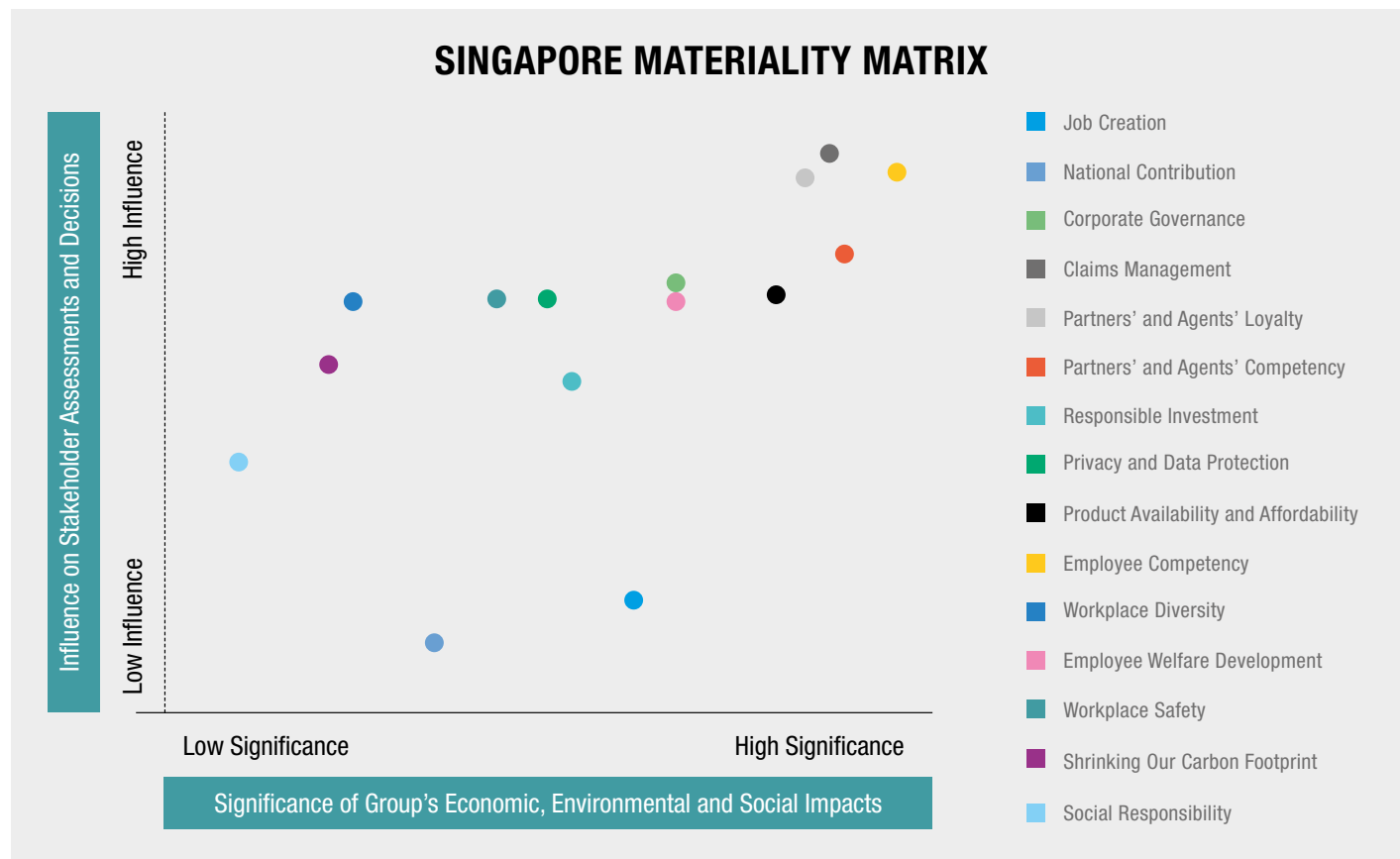
We acknowledge that differences do exist between these two stakeholder groups, but rather than trying to align their priorities, the Sustainability Committee believes the best solution may be to address each of their respective concerns independently of one another. For example, we need to do more to communicate to our stakeholders that we are actively improving our data privacy and security despite having recorded zero incidences of network security breaches during the year.

Weighted equally, the material indicators of all stakeholders yield the following materiality matrix:



SUSTAINABILITY REPORT

In addition, we have also constructed a materiality matrix for our Singapore operations in recognition of the differences in the operating environment.



LONPAC CARES

Lonpac Cares is our sustainability framework addressing the material indicators and EES matters outlined above. The framework is divided into four pillars, which have been designed to provide the basis and guide for our sustainability initiatives and policies. The four pillars are:

- ▶ Marketplace Development
- ▶ Workplace Management
- ▶ Community Development
- ▶ Environmental Conservation

Together, these four pillars ensure that our sustainability initiatives are directed at material indicators that are most relevant to us as a business and as a community organisation.

SUSTAINABILITY REPORT



IN THIS SECTION

Marketplace Development

Workplace Management

LPI Group contributes to national development as an investment vehicle and a taxpayer. In 2018, we paid

RM 253.0 million in dividends

RM 90.7 million in taxes

MARKETPLACE DEVELOPMENT

Lonpac operates within a broader insurance and financial marketplace beyond our dealings with our customers and shareholders. As an international insurer, our marketplace extends beyond Malaysia and the region, and our activities are subject to market forces arising from both local and international sources.

Our responsibility to the marketplace takes on several different roles depending on the stakeholder. These range from working together with other insurance providers and regulators to shape the industry to ensuring that our products and services meet the needs of our customers. Our initiatives in this area are focused on steering marketplace development to the benefit of our business and our stakeholders as well as to promote financial stability.

Nine initiatives have been identified, each addressing a specific material indicator:

- ▶ National Contribution
- ▶ Job Creation
- ▶ Corporate Governance
- ▶ Claims Management
- ▶ Partners' and Agents' Loyalty
- ▶ Partners' and Agents' Competency
- ▶ Responsible Investment
- ▶ Privacy and Data Protection
- ▶ Product Availability and Affordability

NATIONAL CONTRIBUTION

The success and sustainability of our business depends on the economic and financial health of the country. As an insurer, we play a significant role in maintaining the overall health of the financial system as well as in facilitating commercial and industrial projects.

With recent financial crises showing that the failure of financial institutions can lead to the systemic collapse of the entire marketplace, we are more aware than most of our role in maintaining the integrity of the Malaysian financial system.

To ensure that we do not pose a risk to the overall financial system, we maintain robust levels of financial reserves at all times in order to meet all our financial obligations. The capital management strategy we have in place as well as our prudential risk policy guidelines ensure that our capital adequacy surpasses stipulated requirements. Our financials are periodically stress tested to ensure that our balance sheets can maintain their integrity during pressing times. A discussion of our capital adequacy is available on page 42 of this report.

Lastly, the LPI Group also contributes to national development as an investment vehicle and a taxpayer. In 2018, we paid RM253.0 million in dividends and RM90.7 million in taxes.

JOB CREATION

Jobs stimulate the economy by creating real wealth for individuals, which in turn boosts aggregate consumer demand in the economy. Jobs also contribute to the national coffers in terms of income tax and provide valuable training experience for the domestic workforce. Where possible, Lonpac hires local talents but focuses on filling the position with the candidate most suited to the role.

SUSTAINABILITY REPORT

The table below provides an overall summary of our contributions in these areas.

Area	Sustainability Value (Objectives)	Indicator	Measurement/ Calculation	Target	Progress
Impact of recruiting activities	Creating job opportunities and economic wealth	Job opportunities created during the year	Total number of recruitments = 68 jobs created (2017: 63 jobs)	To ensure continuous recruitment growth in tandem with the Company's growth	Recruitment and job creation depend on the efforts of the LPI Group to grow its business
	Contributing to the government's and industry's efforts to increase the number of skilled insurance professionals in Malaysia		Percentage of jobs awarded to locally qualified candidates = 62 out of 68 jobs = 91.2% (2017: 90.48%)	To develop local insurance talent	
		Internship programmes	Training hours/ time spent on interns = Total training hours/ number of interns = 695 hours per intern = 4.5 months per intern (2017: 2.4 months/ intern)	To ensure continuous growth in the Company's internship programmes	

Our business also depends substantially on agents who may not be direct hires of Lonpac, but nevertheless act on our behalf and derive economic benefit in doing so. This is also part of our contribution to the overall wage market in terms of job creation.

Lonpac has a policy to expand its agency force by 10% annually until 2019 as part of its overall plan to increase its presence and market share. Meeting this target ensures that we have sufficient manpower to keep pace with the expansion of the market, thereby addressing a core tenet of sustainability. We recognise that the increasingly competitive insurance industry is exerting greater demand for skilled and experienced financial practitioners, and we will enhance our recruitment practices to ensure that we do not fall behind.

In 2018, we added 379 agents to our stable, bringing the total number of agents in our network to 2,844.

CORPORATE GOVERNANCE

LPI Group adheres to a strict code of corporate governance (please turn to pages 93 to 117 to find our Corporate Governance Overview Statement). Good governance is an essential element of sustainability, and has been embedded throughout all our operations with policies in place stipulating the need for responsible business conduct. Our Board of Directors takes a direct interest in all aspects of the management of the Company, including the production of this Sustainability Report, and considers all incidences of governance breaches very seriously.

In recognition of our improving corporate governance track record, LPI was selected as one of two winners in the Minority Shareholders Watch Group's Most Improved PLCs (Malaysia) Award at the 2nd ASEAN Corporate Governance Awards 2018.

CLAIMS MANAGEMENT

The efficiency and effectiveness of the claims process is a key service benchmark that relates directly to the overall performance level of our operations. The claims process is critical within the insurance value chain as claims are generally only initiated when a loss is involved. With customers depending on us for a fair and quick settlement of their claims in their hour of need, the ability to perform efficiently and effectively in managing claims becomes a key consideration for us.

SUSTAINABILITY REPORT

The efficiency of our claims process is also a differentiating point, allowing us to create greater value in comparison with our competitors. Lonpac is committed to the constant improvement of the claims management process to ensure that we meet customers' demands as quickly and fairly as possible.

We track five different targets in benchmarking our claims management efficiency. The table below is a summary of these benchmarks for the year under review.

Summary Of Claims Management Benchmarks For 2018				
Sustainability Benchmark	Description	Measurement	Goal	2018 Achievement
Claims settlement ratio	Measures the efficiency of the claims process	Percentage of the number of claims settled against the number of claims registered	Indicative ratio to exceed 60.00%	64.34% (2017: 66.53%)
Claims productivity ratio	Measures the productivity of claims staff	Percentage of the number of claims settled over the number of claims staff	To achieve a minimum average of 1,250 files settled per staff member	1,462 claims (2017: 1,395 claims)
Completeness of quarterly claims files review	Review of all open/outstanding claims files to determine status	Whether or not the review exercise was conducted	To conduct the claims review every quarter	Completed exercise every quarter in 2018
Claims service standard	Measures the claims service standard by the number of customer complaints	To measure the number of complaints received against the number of claims registered	Number of complaints received not exceeding 5% of total number of claims registered	0.05% (2017: 0.05%)
Performance of service providers	Ensures that our service providers comply with regulators' claims settlement guidelines and internal service standards	Conducting review of service providers' performance	To conduct the performance review on a semi-annual basis	Performance of our service providers was reviewed on a half-yearly basis at the Panel Review Committee meetings in 2018

In addition to the benchmarking of our claims process, we also conduct regular engagement sessions with the media, analysts and investor representatives to keep them apprised of the Company's performance. These channels help us to remain transparent and also to communicate the Company's overall health to a wider audience.

PARTNERS' AND AGENTS' LOYALTY/ COMPETENCY

Partners' and Agents' Training

We maintain a network of business partners and agents to provide regular servicing for our clients and to generate new business leads. Agents are our front-line staff who deal directly with our customers and are therefore best positioned to understand our customers' needs and propose appropriate solutions. In this regard, our agents form a crucial link between ourselves and our customers.

It is therefore vital that we retain a stable network of partners and agents with a high degree of competence and experience who are well versed with our insurance solutions and services in order to make the right recommendation to our customers. To help them achieve their professional ambitions and reach the levels of professionalism that we expect from them, we invest significant time and resources in developing our partners and agents.

SUSTAINABILITY REPORT

To support the professional development of our agency force, Lonpac conducts regular training and development workshops for them. These workshops cover a wide range of topics, from customer service to product-specific technical courses. In 2018, we conducted 157 training workshops for our agents in Malaysia and Singapore during the year. These training sessions covered a variety of topics, from training on new products to operational and process improvements. In 2018, we spent a total of RM1.58 million on training our agents in Malaysia and Singapore.

Partners' and Agents' Retention

We recognise that developing our partners and agents without properly incentivising them to stay is insufficient. To help us retain them, we take great pains to ensure that they are remunerated at levels equal to or surpassing the industry average, and have also introduced a number of incentives such as our annual Masterclub Award. The Masterclub Award is an accolade for our agents in recognition of their superior service on our behalf and encourages them to maintain their performance levels.

The Award was introduced in 2006 to recognise the best performers within our network of agents, with winners picked based solely on business profitability and portfolio premium incomes. The Masterclub Award is a token of appreciation to our best agents, and is designed to create friendly and competitive camaraderie among them.

RESPONSIBLE INVESTMENT

We are committed to the responsible investment of our funds. We ensure that funds are not used in such a way that it breaches policy guidelines including prudential risk thresholds. We also ensure that the deployment of funds is not in breach of our ethical guidelines that make firm stipulations against illegal or unethical practices.

The LPI Group's investments are overseen by the Investment Committee and carefully scrutinised to ensure that the Company's investment policies and strategies are in line with our business strategy and all investment guidelines. They are also subject to the scrutiny of our risk management processes and reviewed to ensure that they do not pose a systemic risk to the Company.

PRIVACY AND DATA PROTECTION

As per our stakeholder prioritisation matrix, the issue of privacy and data protection is now among our stakeholders' highest concerns and has been for several years. The increasing use of technology at all levels of our business poses new data and security challenges, particularly in view of the corresponding rise in data piracy and network incursions.

Data breaches and data piracy not only put our reputation at risk, but also expose the Company to liabilities resulting from our failure to safeguard confidential data. The fallout from data breaches is far-reaching and includes the loss of trust of our customers and partners, which in turn directly impacts the sustainability of our operations. Despite our excellent track record, the recent spate of high-profile data breaches in large companies is a reminder that everyone is a potential target for data pirates.

To ensure that our IT systems have the adequate protection against unauthorised data access, the system is assessed annually by an independent third-party security vendor.

We have in place a robust Privacy Policy that stipulates the use and handling of customers' confidential data. The Policy states that confidential data from customers can only be used in specific circumstances and by authorised personnel. We expect our employees, agents and contractors to abide by the Policy at all times, and violations of the Policy can lead to disciplinary and other appropriate actions. The full text of our Privacy Policy is available online at <https://www.lonpac.com/home/privacy-policy>.

PRODUCT AVAILABILITY AND AFFORDABILITY

We are committed to the principles of financial inclusivity as articulated in BNM's Financial Sector Masterplan. Under the plan, we have an obligation to ensure that our products are fairly priced and available to all levels of society. In practice, this translates to the need for a broad range of products that are accessible by the various economic classes in society such that the insurance safety net is available to all.

SUSTAINABILITY REPORT

We have taken this a step further by exploring the possibilities made available through innovative insurance technology (“insuretech”). Insuretech leverages on smart mobile devices and online platforms to make purchase and management available to anyone with access to the Internet. Lonpac is presently transforming its IT back-end as well as its processes to facilitate the development of insuretech and e-Insurance services. This will, in time, give a wider group of Malaysians more convenient access to insurance.

In 2011, the Malaysian insurance industry, together with BNM, introduced the 1Malaysia Micro-Protection Plan, which provides Fire and Personal Accident coverage for as little as RM1.50 and RM3.50 per month respectively. Lonpac is a participant of the programme and functions as a point of sale for the product.

The protection granted by this product ensures that persons and small business owners are given financial support in the unfortunate event of accident involving themselves or their businesses. The sum insured provided by this plan ranges from between RM5,000 and RM50,000 for Fire coverage, and RM20,000 for Personal Accident coverage.

WORKPLACE MANAGEMENT

Having a strong and sustainable talent pool is a key enabler of Lonpac’s business strategy. Since the liberalisation of the general insurance framework, we have seen growing competition in all segments of our business which has in turn led to growing demand for skilled and experienced insurance agents and specialists. We recognise that a sustainable talent pool is a material issue for our organisation, and we have taken decisive steps to ensure that our workforce strength is sufficient in delivering our strategic goals.

As our stakeholder prioritisation matrix shows, both internal and external stakeholders believe that retaining skilled and experienced staff is a key priority for the Company and vital for the sustained creation of value.

For these reasons, we have actively managed our workplace to create a safe and productive working environment, and put in place remuneration policies that are on par with, if not better than, the industry average. We place great stock in employee loyalty and dedication as part of our employment culture. To recognise our employees’ contributions to Lonpac, long-serving staff receive Service Recognition Awards upon reaching specific milestones. The Award serves as a token of appreciation in recognition of their loyalty and continued service.

The table below provides a summary of the number of recipients over the past 10 years.

Years of Service	Number of Recipients									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
45 years	-	-	-	-	-	-	-	-	-	1
40 years	-	-	1	1	2	-	-	-	-	-
35 years	-	1	1	-	-	-	-	2	3	2
30 years	-	-	4	4	4	5	1	-	1	3
25 years	5	2	1	2	3	1	2	3	7	14
20 years	1	2	4	10	16	24	8	15	18	16
15 years	26	9	15	23	18	9	14	13	18	22
10 years	10	17	15	25	27	18	22	25	18	34
Total	42	31	41	65	70	57	47	58	65	92

Staff are also assured of career advancement opportunities with Lonpac, which practises a non-discrimination succession policy. This is aligned with our management succession plan, which ensures a constant supply of trained leaders and management professionals to secure business continuity. Finally, initiatives under this pillar are also focused on developing a safe and productive environment for our staff, agents and customers.

At Lonpac, we recognise the importance of hiring local talent and more importantly, investing in them. For this reason, we have put in place a comprehensive talent development

programme, which is underpinned by our Workplace Management sustainability pillar. The pillar outlines four broad areas addressing staffing issues:

- Employee Competency

- Workplace Diversity

- Employee Welfare Development

- Workplace Safety

EMPLOYEE COMPETENCY

Lonpac plays an important role as an employer, creating jobs throughout the entire value chain of the insurance industry. Our hires range from specialised technical experts to front-line personnel responsible for communicating directly with our customers. Our initiatives in this area contribute to gross domestic product growth and also provide valuable training and development opportunities for employees. In 2018, we spent RM1.18 million to train our people across all functionalities.

Lonpac's recruitment policy is aimed at recruiting the right complement of staff to support our business activities. To develop a sustainable talent pool, we have implemented initiatives in several key areas of the talent management process, including staff composition and staff retention. We have identified two headline targets for recruitment and retention as detailed below.

Target Description	Target	Achievement (2018)	Rationale
Recruiting and developing staff to ensure a pool of competent and qualified personnel to support business operations	60% of staff to hold bachelor's degrees or appropriate professional qualification	45.21% (2017: 44.94%)	Lonpac aims to ensure that its customers and business processes are served by competent and qualified personnel. While academic qualifications are not the only determinant of proficiency, having a majority of employees with tertiary and professional qualifications helps us establish a pool of talent.
Staff retention as measured by the staff attrition rate	Fewer than 10% of total staff annually	6.23% (2017: 5.19%)	We set an attrition target to benchmark the quality of our human resource policies. Although the number of staff leaving the Company increased slightly in 2018, the ratio is well under our benchmark of 10%.

To help our employees reach their full potential, we not only optimise their productivity but also their efforts to reach their own personal and professional ambitions. Lonpac measures the impact of its employee welfare and development initiatives through key headline KPIs.

The targets and benchmarks for 2018 are detailed below.

Target Description	Target	Achievement (2018)	Rationale
Comprehensive training and development opportunities for all employees	<ol style="list-style-type: none"> To have at least 60% of the staff population attend formal training in any given year For all employees to receive at least an average of two days or 16 hours of formal training and development annually 	<p>67.12% of all employees attended training in 2018 (2017: 63.04%)</p> <p>Total hours of training per employee = 16.92 hours (2017: 16.19 hours)</p>	Lonpac's Heads of Department are expected to ensure that their employees are sufficiently trained and developed as part of their annual assessment so that all employees are given the opportunity to develop and progress in the organisation.

SUSTAINABILITY REPORT

Target Description	Target	Achievement (2018)	Rationale																
Professional development and qualification of employees at managerial levels and above	At least 50% of employees at managerial level in core operations are professionally qualified or are actively pursuing professional qualifications	2018	Lonpac expects its leaders to possess the right qualifications and skills to lead their employees. Towards this end, senior officers at the management level are expected to hold or take steps to acquire their professional qualification. To facilitate the acquisition of professional qualifications, Lonpac has granted full sponsorship for professional qualifications in the areas of insurance, accounting, IT and actuarial studies. At the same time, we also nominate staff to participate in the Malaysian Insurance Institute's Accelerated Professional Enhancement Programme ("APEP"). Staff participating in the programme are given 1.5 days of paid study leave each week for a period of two years. Over the past year, we have seen three staff members complete the programme with one staff currently completing the necessary requirements.																
		<table><tr><th>Core Operations</th><th>% Qualified</th></tr><tr><td>Total Core</td><td>36%</td></tr><tr><td>Underwriting</td><td>57%</td></tr><tr><td>Claims</td><td>33%</td></tr><tr><td>Accounts</td><td>80%</td></tr><tr><td>Marketing/ Business Development</td><td>28%</td></tr><tr><td>Actuarial/ Enterprise Risk Management/ Pricing</td><td>50%</td></tr><tr><td>IT</td><td>Not applicable</td></tr></table>		Core Operations	% Qualified	Total Core	36%	Underwriting	57%	Claims	33%	Accounts	80%	Marketing/ Business Development	28%	Actuarial/ Enterprise Risk Management/ Pricing	50%	IT	Not applicable
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		IT		Not applicable															
2017																			
<table><tr><th>Core Operations</th><th>% Qualified</th></tr><tr><td>Total Core</td><td>38%</td></tr><tr><td>Underwriting</td><td>58%</td></tr><tr><td>Claims</td><td>44%</td></tr><tr><td>Accounts</td><td>80%</td></tr><tr><td>Marketing/ Business Development</td><td>28%</td></tr><tr><td>Actuarial/ Enterprise Risk Management/ Pricing</td><td>100%</td></tr><tr><td>IT</td><td>Not applicable</td></tr></table>	Core Operations	% Qualified	Total Core	38%	Underwriting	58%	Claims	44%	Accounts	80%	Marketing/ Business Development	28%	Actuarial/ Enterprise Risk Management/ Pricing	100%	IT	Not applicable			
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Actuarial/ Enterprise Risk Management/ Pricing	100%																		
IT	Not applicable																		
(The IT Department is excluded from this calculation as the training of its personnel is specific to Company needs and the type of technology implemented)																			

WORKPLACE DIVERSITY

A workplace reflecting the diversity of our marketplace is a feature that is beneficial to our business in terms of decision-making and helping us ensure that our policies are representative of our customer base. A diverse workforce also helps us brainstorm new innovations and solutions as it will contain a wider variety of perspectives and viewpoints originating from each individual's respective background.

Our Workplace Diversity Policy makes a number of specific stipulations in the areas of:

- ▶ **Recruitment:** Individuals are to be employed based on the Group's requirements and needs, and matched to individual work experiences and qualifications. No consideration of race, religion or gender is to be made during the hiring process.
- ▶ **Operations:** Lonpac expects its officers to make conscious efforts to be inclusive in every activity held within the Group. This includes the composition of Management Committees as well as of other sub-groups.

To ensure that the goals of our Workplace Diversity Policy are met, a number of targets have been assigned to measure the diversity of our workforce.

Target Description	Target	Achievement (2018)	Rationale
Diversity of staff force as measured by the gender ratio	To have no fewer than 30% of staff from either gender	Male to Female ratio 35:65 (284 male employees: 519 female employees) (2017: 35:65)	Lonpac does not gender-discriminate during the recruitment process as the Company recognises the importance of having equal representation from both genders. While we strive for balance, we do not make recruitment decisions based on gender.
Gender diversity in leadership positions	To have no fewer than 30% of Management and Senior Management positions filled by women	Percentage of women leaders in: Senior Management positions: 21.43% (3 out of 14 places) (2017: 40.74%) Supervisory positions: 63.54% (420 out of 661 places) (2017: 63.75%)	Lonpac is committed to the empowerment of women in the workforce and provides equal opportunities to women to lead and be promoted based solely on merit. The retirement and resignation of several women leaders in our organisation had seen the ratio of women leaders fall to 21.43%, which is lower than our benchmark of 30%. Moving forward, we will look at improving the ratio to the stipulated benchmark.
Mothers returning to the workforce	To encourage at least 75% of mothers at the Management level to return to work following maternity leave	100% (2017: 100%)	Lonpac is committed to helping women balance their roles as both employee and mother. Where possible, we accommodate the needs of mothers to provide them with remote access during and after their maternity leave. We are also committed to the principle of non-discrimination, and mothers returning to work from maternity leave are given the same duties and responsibilities as before.

SUSTAINABILITY REPORT

EMPLOYEE WELFARE DEVELOPMENT

The welfare of our employees is directly correlated to staff morale, performance and productivity levels, and is a significant factor in improving employee retention. To ensure that their welfare and rights are protected at all times, we have enshrined the following key policy codes:

Whistleblowing Policy

Employees are expected to report any breaches in conduct, professional or otherwise, to the appropriate authority. Our Whistleblowing Policy is in place to ensure that they do not suffer any retribution for reporting such breaches.

Harassment Policy

Our Harassment Policy stipulates and defines the nature of harassment, and our zero-tolerance policy against any form of harassment.

Grievance Procedures

This written policy is a step-by-step how-to guide for employees who feel the need to report grievances they may have and seek redress.

We also play an active role in helping our employees build better lives by offering preferential interest rates for housing loans, interest subsidies on housing and vehicle loans as well as motor insurance coverage. These loans help our employees build meaningful lives for themselves and for their families. More than 700 loans worth over RM85 million have been disbursed to our employees since 1996. A total of 142 vehicle loans with interest subsidies have also been granted to staff since 2014.

Further supporting our efforts to build relationships between our employees is the Lonpac Sports Club, which is an employee-focused social club within Lonpac. The Sports Club's activities are typically physical, including team and individual sports, and family-oriented in nature.

Meanwhile, we expect our employees to conduct themselves with the highest levels of professionalism and ethics in their dealings with customers as well as with each other. As insurers, our relationship with our customers is built on a foundation of trust and our employees must uphold that trust in their conduct. These requirements are also stipulated in two key policy guides, namely our written Code of Conduct and Code of Ethics.

These documents are available to all employees in the Company's Document Management System.

WORKPLACE SAFETY

Employees' safety and well-being is one of our foremost concerns. We are committed to providing our staff with a safe workplace environment. Health and safety is administered primarily by the Occupational Safety and Health ("OSH") Committee.

SUSTAINABILITY REPORT

Health and safety targets and benchmarks are detailed below.

Target Description	Target	Achievement (2018)	Rationale
Providing a safe working environment for employees	<p>Ensuring zero accidents or injuries in the workplace or office area</p> <p>Securing all offices with security doors with access control</p>	<p>Reported accidents and injuries at:</p> <ul style="list-style-type: none"> - Head Office: 0 - Branches: 0 <p>All offices have security doors with access control</p>	<p>Keeping employees safe from accident or injury is a basic responsibility of any employer. The OSH Committee investigates and documents every accident or injury occurring in the workplace and updates safety procedures when necessary.</p> <p>The implementation of security doors with access control at all our offices also helps ensure that only authorised persons have access to the office and staff at all times.</p>
Outfitting field employees with necessary Personnel Protective Equipment ("PPE")	To outfit all risk surveyors and dispatch personnel with appropriate PPE	All personnel provided with appropriate equipment	Our employees are occasionally required to be on-site to consult with clients or to inspect equipment and premises. These field employees are given appropriate training on the handling of equipment as well as standard operating procedures expected of them. These are outlined in a number of references and guides that are readily available to our staff.
Ensuring all offices observe OSH safety requirements and standards	All offices must meet with OSH safety requirements and standards	All offices meet requirements	<p>Lonpac's offices and branches are checked every quarter to ensure that they observe OSH safety requirements and standards. The checks are undertaken by the OSH Committee, which examines the following items:</p> <ul style="list-style-type: none"> - Worksite General Safety - First Aid Kit - Fire Extinguisher - Exit Routes - Walkways - Environmental Conditions - Electrical - Machine Guarding - Security - Equipment - Office Furniture - Floors <p>Offices must also display Lonpac's OSH Policy Statement and display an Emergency Evacuation Route Map on every floor.</p>
Employee medical cover	To provide medical coverage for all staff and their dependents	As at 31 December 2018, total medical costs for staff and their dependents came to 0.35% of LPI's profit before tax, as compared to 0.30% in 2017	Lonpac provides medical coverage to all our employees and family members to give them a safety net in the event of poor health or accidents. Our policy of extending coverage to family members also ensures that none of our employees will be burdened by the medical costs incurred by their loved ones.

SUSTAINABILITY REPORT

Lonpac conducts regular health and safety events together with partners to educate and promote health awareness among staff. We organise at the very least, one health event per quarter and at least one office-wide exercise programme annually. In 2018, the following events were held:

- In conjunction with World Osteoporosis Day, Lonpac organised free bone density tests and consultations in collaboration with a pharmaceutical company on 17 October 2018. The bone density tests were conducted by professional naturopaths using an ultrasound scanner to detect bone mass. Staff were also given free blood pressure tests and smoking cessation aids during the event.
- Lonpac organised a half-day talk on “Basic Office Ergonomics at the Workplace”. The talk educated staff in understanding the importance of ergonomics and taught best practices while working on computers for prolonged periods of time.
- A Self Defence & Personal Safety Workshop was organised for staff to equip them with basic personal safety know-how and important life-saving skills. The training was designed to help staff avoid becoming victims of sexual harassment, abduction, robbery, bullying and violence.
- Lonpac organised a “EM•1 for A Healthy Life” talk for its staff to help educate them on the importance of microorganisms and their use in daily life. EM•1 contains live cultures of beneficial microbes which help eliminate harmful bacteria and are safe for humans, animals, plants, and the environment.

Finally, every Lonpac office including the head office and all branches are outfitted with Emergency Rescue Sets (“ERS”), with one set made available on every floor of our offices. The ERS contains a number of emergency equipment including a portable fire extinguisher, smoke masks, a fire blanket and a safety defensor.



IN THIS SECTION

Community Development

CSR PROGRAMMES

A total of

227 students

from 52 Chinese schools participated in the Chinese Essay Writing Competition 2018.

Yielded

54 pints

of this vital resource for Pusat Darah Negara.

COMMUNITY DEVELOPMENT

The Community Development pillar addresses economic and social risks and opportunities stemming from our presence in, and engagement with, our communities and society. As insurers, we play a particularly important role in helping them get back on their feet during their times of need. Our efforts support the national push to ensure insurance coverage for all levels of society, including those who are economically disadvantaged.

We believe that we operate within the context of a community, and are not ourselves a separate entity looking in. Investment in the community is therefore not only an investment in the people around us, but also an investment in our own sustainability. Rather than an act that goes above and beyond our core functions, Lonpac views community development as a natural extension of our activities as we recognise our obligation to help these communities become more sustainable entities. We have, over a number of years, worked on several initiatives under the heading of Corporate Social Responsibility ("CSR"), and these are now being reported in our sustainability framework.

EMPOWERING OUR COMMUNITIES

We have an obligation to empower less fortunate Malaysians to help them become more independent and reach their full potential in becoming productive and beneficial members of society. We therefore commit a substantial proportion of our charitable giving to organisations that actively seek to better the lives of persons facing obstacles and challenges in their daily lives, and to organisations dedicated to nurturing young persons.

We view our CSR programmes as a platform to empower and enrich our communities and by doing so, give back to them as a way of showing our appreciation for their continued support.

The communities not only function as our customers, but are also our employees, our business partners and other intermediaries who play a vital role in contributing to our success.

In 2018, the proceeds from our annual Lonpac E-Assist Charity Golf Tournament held at Kota Permai Golf and Country Club, Shah Alam, Selangor, raised RM41,200 from green fees and other contributions. These proceeds were donated to Persatuan Kebajikan Sri Eden Selangor dan Kuala Lumpur, a home for children with diverse learning difficulties due to behavioural problems, physical disorders and other underlying problems.

Lonpac continued to hold its regular Chinese Essay Writing Competition in 2018. Together with The China Press, we organised the competition for all primary schools students in Melaka. A total of 227 students from 52 Chinese schools participated in the competition. The competition is aimed at cultivating essay writing among schoolchildren as well as improving their language skills.

In addition, Lonpac also held its annual blood drive campaign in May 2018 to help replenish the stocks at Pusat Darah Negara. The campaign yielded 54 pints of this vital resource for those in need.

We also made contributions to the following organisations and events during the year:

- The National Autistic Society of Malaysia, following a staff visit to the home
- Persatuan Kanak-Kanak Istimewa Hulu Langat (PKKIHL)

SUSTAINABILITY REPORT

- Mount Miriam Cancer Hospital

- Hospice Klang Annual Charity Golf

- Blood Drive by Persatuan Penganut Dewa Tian Fa Gong

- PBSB Charity Bowling Tournament 2018

- Sutera Harbour 7K Charity Run 2018

- Intercollections Sdn Bhd's Blood Donation Campaign

- Rotary Club of Likas Bay for Project Smile in Cambodia

- Persatuan Kebajikan Damai Chempaka Kuala Lumpur dan Selangor's Charity Musical Concert Dinner 2018

- Eco World Foundation's Fund Raising 2018

- The 24-Hour Race Kuala Lumpur, a fundraising event designed to fight slavery and human trafficking

- Lovely Disabled Home, through our regular recycling project

Lonpac pays particular attention to organisations focused on encouraging active lifestyles, and made contributions to the following sporting events during the year:

- Seri Mengasih Heroes Run 2018, which was organised to raise funds for the Seri Mengasih Centre, a special developmental centre for the intellectually and developmentally disabled

- The 31st Sarawak Chief Minister's Cup (I) ITF Junior Circuit (Grade 1), organised by the Sarawak Lawn Tennis Association

- The 32nd Sarawak Chief Minister's Cup (II) ITF Junior Circuit (Grade 3), organised by the Sarawak Lawn Tennis Association

- An international-level Borneo Sevens 2018 Tournament, organised by Kelab Rugby Eagles, Sandakan

- The Sandakan Table Tennis Association, to support the development of the game among young schoolchildren as well as the Association's operating expenditure

- The Johari Cup Charity Golf Tournament 2018

- The Methodist Education Foundation Charity Golf Tournament



IN THIS SECTION

Environmental Conservation

PAPER WASTE

Managed to reduce the amount of paper used by the Accounts & Finance Department by

72%

ENVIRONMENTAL CONSERVATION

Lonpac's impact on the environment is relatively small compared to companies in other industries, but nevertheless, we believe that we should minimise our environmental impact where possible. Moreover, climate change can have a significant impact on our business, and we therefore have a vested interest in actively forwarding the goals of environmental conservation and raising greater awareness of the issues in our stakeholders. Our impact on the environment largely occurs in two areas: energy usage and paper use. These will, however, be largely mitigated by our transformation into a digital company, which will substantially increase our operational efficiency and cut down on our reliance on paper usage.

Following our decision to move to a paperless environment, we have managed to reduce the amount of paper used by the Accounts & Finance Department by 72%. Prior to the implementation of the initiative, the Department issued about 10,000 Statements of Account per month, which used up about 100,000 sheets of paper on average.

We also continue to use our Electronic Credit Payment ("ECP") system for our outgoing payments, which has reduced the issuance of cheques and hence, paper use. The table shows that the number of electronic payments has continued to rise while the number of cheque payments has stabilised.

Mode	2018		2017	
	No. of records	%	No. of records	%
ECP				
- Malaysia	156,253	98	142,008	98
- Singapore	2,214	31	1,823	27
Cheque				
- Malaysia	3,102	2	2,939	2
- Singapore	4,981	69	5,038	73

We are presently looking at ways to further reduce our paper usage via digital policies and certificates. Our "Go Green" project is presently at the exploratory phase, and more details will be made available upon its formal launch. In the meantime, the table below provides an overview of our paper usage.

Paper Usage	2018			2017		
	M'sia	S'pore	Total	M'sia	S'pore	Total
Paper Volume (Reams)	40,618	1,737	42,355	36,775	1,658	38,433
Number of Policies Written ('000)	1,838	213	2,051	1,685	211	1,896
Ratio (Reams per 1,000 Policies Written)	22.10	8.15	20.65	21.82	7.86	20.27

SUSTAINABILITY REPORT

The data shows that our paper usage, as a ratio of the number of policies written, increased marginally to 20.65 reams per 1,000 policies written from 20.27 reams per 1,000 policies written a year ago. While the increase is negligible, the Sustainability Committee is nevertheless concerned that there has not been a decrease in the paper usage ratio. The Committee will explore the findings from 2018 in greater detail to see if there are ways to reduce paper usage in the coming years.

Paper usage is also expected to moderate with the intensification of the digitisation of our processes, e.g. increasing the issuance of paperless policies. We will monitor the situation closely over the next few years to ensure a steady reduction in our paper usage.

GETTING OUR PEOPLE INVOLVED

In addition to our policies, we actively encourage our employees to be more environmentally minded, and hold regular staff-wide environment-focused events. On 27 August 2018, staff were invited to participate in a Mud Ball Clean-up event at Taman Rimba Kiara, Taman Tun Dr. Ismail, Kuala Lumpur. Participants were given treated mud balls to disperse into the lake as part of an effort to improve the biodiversity of the lake. A total of 95 staff participated in the programme.

Lonpac staff also participated in the Neubodi Bra Drive that collected underwear for underprivileged women in Africa and Nepal. Bras that were deemed unusable were recycled into fibre or bio-fuel that will be used to power cement kilns and industrial boilers.

Finally, we have taken notice of the growing global concern over the impact of plastic on the environment, particularly on our oceans and seas. As it takes the substance between 500 and 1,000 years to break down, plastic leaching into the ecosystem has substantial and long-term impact. Moreover, plastic manufacturing releases chemicals and pollutants into the ecosystem that have potentially hazardous effects on the environment.

Under Lonpac Cares, the Company is keen on doing its part in forwarding the goals of environmental conservation, including reducing plastic pollution. In line with this goal, the Company is no longer supplying drinking water packed in plastic, either in bottles or plastic cups, for meetings or functions. All staff are also encouraged to reduce plastic usage at home and in the office.

MOVING FORWARD

The LPI Group is aware that the demands of sustainability change in line with the operating environment. In our case, the biggest variables are the volatile market operations due to liberalisation and global financial uncertainty as well as the changing demographic in Malaysia. The combination of these factors has led us to make several changes in the way we operate and do business in order to remain sustainable and relevant to our stakeholders.

We remain committed to our core tenet of being a positive agent of change in the markets where we operate, and we take our EES commitments extremely seriously. Regardless of market conditions, we will remain committed to the principles of financial inclusivity, to the improved welfare of our people, to the betterment of our communities and to the reduction of our impact on the environment. These commitments form the core of our Group vision, and are non-negotiable.

One change that we will see in the coming years will be our reporting style, which will be aligned with the <IR> Framework requirements by 2020. There will be greater integration between our sustainability and operational activities so that investors will have a better perspective on how sustainability is affecting our operations. While the transition will pose new challenges for the Sustainability Committee, we believe that the effort will be worthwhile and we look forward to presenting you with our new integrated report in 2020.

BOARD OF DIRECTORS



Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Independent Non-Executive Chairman

BOARD OF DIRECTORS



Mr. Tee Choon Yeow
Independent Non-Executive Co-Chairman



Mr. Tan Kok Guan
Chief Executive Officer/ Executive Director



Mr. Lee Chin Guan
Independent Non-Executive Director



Mr. Quah Poh Keat
Non-Independent Non-Executive Director



Ms. Chan Kwai Hoe
Independent Non-Executive Director



Ms. Soo Chow Lai
Independent Non-Executive Director



Ms. Kong Thian Mee
Company Secretary

BOARD OF DIRECTORS' PROFILE

Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Independent Non-Executive Chairman
PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ,
Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia); EFMIM (M'sia); Fellow, AICB;
FCIB (UK); FGIA (Aust); CCMI (UK); FICM (UK);
FInstAM (UK); D.Univ Sunway h.c.

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 88, male, was appointed to the Board of the Company on 27 September 1971. He retired from the Board of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company on 8 January 2019 and remains as the Chairman of the Company. Presently, Tan Sri Dato' Sri Dr. Teh serves as Chairman of the Investment Committee of the Company.

Tan Sri Dato' Sri Dr. Teh is a banker by profession. He began his banking career in 1950 and has 69 years' experience in the banking and finance industry. He founded Public Bank Berhad in 1965 at the age of 35.

Tan Sri Dato' Sri Dr. Teh had won both domestic and international acclaim for his outstanding achievements as a banker and the Chief Executive Officer of a leading financial services group. Awards and accolades that he had received include:

- Asia's Commercial Banker of the Year 1991
- The ASEAN Businessman of the Year 1994
- Malaysia's Business Achiever of the Year 1997
- Malaysia's CEO of the Year 1998
- Best CEO in Malaysia 2004
- The Most PR Savvy CEO 2004
- The Asian Banker Leadership Achievement Award 2005 for Malaysia
- Award for Outstanding Contribution to the Development of Financial Services in Asia 2006
- Lifetime Achievement Award 2006
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry 2006
- Asia's Banker of High Distinction Award 2006
- The BrandLaureate Brand Personality Award 2007
- ASEAN Most Astute Banker Award 2007
- Lifetime Entrepreneurship Achievement Award 2007
- The Pila Recognition Award 2007
- Asian Banker Par Excellence Award 2008
- Best CEO in Malaysia 2009
- Asia's Banking Grandmaster 2010
- Asian Corporate Director Recognition Award 2010 for Malaysia
- Value Creator: Malaysia's Outstanding CEO 2010



BOARD OF DIRECTORS' PROFILE

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • The BrandLaureate - Tun Dr. Mahathir Mohamad Man of the Year Award 2010-2011 • Best CEO (Investor Relations) 2011 for Malaysia • Asian Corporate Director Recognition Award 2011 for Malaysia • The BrandLaureate Premier Brand Icon Leadership Award 2011 • Best CEO (Investor Relations) 2012 for Malaysia • Asian Corporate Director Recognition Award 2012 for Malaysia • Best CEO (Investor Relations) 2013 for Malaysia • Asian Corporate Director Recognition Award 2013 for Malaysia • BrandLaureate Banker of the Year Award 2012-2013 | <ul style="list-style-type: none"> • Best CEO (Investor Relations) 2014 for Malaysia • Asian Corporate Director Recognition Award 2014 for Malaysia • Banker Extraordinaire 2015 • Global Chinese Entrepreneur Lifetime Achievement Award 2015 • BrandLaureate "Icon of Icons - The King of Banking" • Asia's Best CEO (Investor Relations) 2015 for Malaysia • William "Bill" Seidman Lifetime Leadership Achievement in Financial Service Industry Award 2015 • Asian Corporate Director Recognition Award 2015 for Malaysia • Asia's Best CEO (Investor Relations) 2016 for Malaysia | <ul style="list-style-type: none"> • Asian Corporate Director Recognition Award 2016 for Malaysia • Asia's Best CEO (Investor Relations) 2017 for Malaysia • Asian Corporate Director Recognition Award 2017 for Malaysia • The Greatest Malaysian Banker of All Time • Asia's Best CEO (Investor Relations) 2018 for Malaysia • The BrandLaureate Hall of Fame - Lifetime Achievement Award 2018 - Man of the Year • Grand Prix D'Excellence Brand Leadership Award in Banking • The Best of Best in Brand Leadership Award 2018 - Overall Championship • Asian Corporate Director Recognition Award 2018 for Malaysia |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Tan Sri Dato' Sri Dr. Teh was awarded the Medal 'For the Course of Vietnamese Banking' by the State Bank of Vietnam in 2002 for his contributions to the Vietnamese banking industry over the past years. Tan Sri Dato' Sri Dr. Teh was conferred the Recognition Award 2007 by the National Bank of Cambodia in appreciation of his excellent achievement and significant contribution to the banking industry in Cambodia.

Tan Sri Dato' Sri Dr. Teh was conferred the Royal Order of Monisaraphon, Commander by The Royal Government of The Kingdom of Cambodia in 2016, in recognition of his outstanding leadership and immense social economic contributions towards the progress and development of Cambodia over the last 24 years. He is the first Malaysian banker ever to receive the Royal Order.

Tan Sri Dato' Sri Dr. Teh was awarded the "Medal for the Development of Vietnam Banking Industry" in 2017 by the State Bank of Vietnam in recognition for his manifold contribution to the construction and development of Vietnam's banking industry. Tan Sri Dato' Sri Dr. Teh is the first foreign Banker in Vietnam to be awarded this medal.

In recognition of his contributions to society and the economy, he was conferred the Doctor of Laws (Honorary) from University of Malaya in 1989.

Tan Sri Dato' Sri Dr. Teh was conferred The Honorary Doctor of The University by The Board of Directors and The Academic Senate of Sunway University on 28 January 2019, in recognition of his distinction as one of the leading bankers of Malaysia, having founded and

overseen the evolution of Public Bank into a modern and integrated financial institution, and for his outstanding contribution to the growth of the financial services industry of Malaysia.

Tan Sri Dato' Sri Dr. Teh had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council.

He is an Emeritus Fellow of the Malaysian Institute of Management and is a Fellow of the Asian Institute of Chartered Bankers; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; and the Governance Institute of Australia.

He is the Founder, Chairman Emeritus, Director and Adviser of Public Bank Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad. His directorships in other companies are as Chairman of Public Mutual Berhad, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Cambodian Public Bank and several other subsidiaries of Public Bank Berhad. He is a Director of Public Investment Bank Berhad and Public Islamic Bank Berhad, both subsidiaries of Public Bank Berhad.

Tan Sri Dato' Sri Dr. Teh attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.

BOARD OF DIRECTORS' PROFILE

Mr. Tee Choon Yeow

Independent Non-Executive Co-Chairman

B.Com.; CA (NZ); CA (M'sia); FCPA (Aust)

Mr. Tee Choon Yeow, aged 66, male, was appointed to the Board of the Company on 29 October 1991. He was the Chief Executive Officer/ Executive Director of the Company until he retired in 2013 and thereafter served as a Non-Independent Non-Executive Director (NINED) of the Company. Mr. Tee was re-designated as Independent Non-Executive Director with effect from 1 March 2015 and appointed as Co-Chairman of the Company on 8 July 2015. He is also a NINED and Chairman of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. Presently, Mr. Tee serves as Chairman of the Nomination & Remuneration and Risk Management Committees of the Company and a member of the Audit Committee of the Company.

Mr. Tee holds a Bachelor's Degree in Commerce from the University of Canterbury, New Zealand. He joined the Company as an Accountant in 1980. He is a Chartered Accountant of the Institute of Chartered Accountants, New Zealand and the Malaysian Institute of Accountants and a Fellow of the CPA Australia.

Mr. Tee attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.



Mr. Tan Kok Guan

Chief Executive Officer/ Executive Director

Chartered Insurer

B.Sc. (Hons.); MBA; ACII; AMII

Mr. Tan Kok Guan, aged 62, male, was appointed to the Board of the Company on 29 October 1996. He was an executive director of the Company from October 1996 to May 1999 and thereafter served as a Non-Independent Non-Executive Director to July 2013. He was appointed as Chief Executive Officer/ Executive Director of the Company with effect from 8 July 2013. Presently, Mr. Tan serves as a member of the Investment Committee of the Company.

Mr. Tan holds a Bachelor's Degree with Honours in Science from the University of London, United Kingdom and a Master's Degree in Business Administration from the University of Hawaii. He is also a Chartered Insurer of the Chartered Insurance Institute in London and an Associate of the Malaysian Insurance Institute in Kuala Lumpur.

Mr. Tan attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.



BOARD OF DIRECTORS' PROFILE

Mr. Lee Chin Guan

Independent Non-Executive Director

B.Sc. (Hons); BCL (Oxon); LL.M. (Cantab);

JD (Chicago-Kent); Barrister-at-Law (Middle Temple)

Mr. Lee Chin Guan, aged 60, male, was appointed to the Board of the Company on 8 October 2015. He is also an Independent Non-Executive Director (INED) of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. As Mr. Lee had left the Board of LPI for 8 years from October 2007 to October 2015, he is deemed as Independent Non-Executive Director commencing his appointment from 8 October 2015 as advised by Securities Commission. Presently, Mr. Lee serves as Chairman of the Audit Committee and a member of the Risk Management and Nomination & Remuneration Committees of the Company.

Mr. Lee qualified as a Barrister-at-Law from the Middle Temple, United Kingdom in 1982. He also holds a Bachelor's Degree in Science (Hons.) from the University of Manchester Institute of Science & Technology, England and Degrees in Law from Cambridge University, Oxford University and Chicago-Kent College of Law.

His directorships in other companies are as Director of Public Bank Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad; Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd and Public Finance Ltd.

Mr. Lee attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.



Mr. Quah Poh Keat

Non-Independent Non-Executive Director

FCCA (UK); CA (M'sia); CPA (M'sia);

ACMA (UK); Fellow MIT (M'sia)

Mr. Quah Poh Keat, aged 66, male, was appointed to the Board of the Company on 2 January 2009. He is also a Non-Independent Non-Executive Director of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. Presently, Mr. Quah serves as a member of the Nomination & Remuneration and Risk Management Committees of the Company.

He is a Fellow of the Chartered Tax Institute of Malaysia and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Mr. Quah was a partner of KPMG since October 1982 and was appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

Mr. Quah is experienced in auditing, tax and insolvency practices and has worked in Malaysia and the United Kingdom; his field of expertise includes restructuring, demergers and privatisation.

Mr. Quah had served as the Deputy Chief Executive Officer of Public Bank Berhad from 1 October 2013 until 31 December 2015. His directorships in other companies are as Director of Public Mutual Berhad, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Cambodian Public Bank Plc, Campu Lonpac Insurance Plc and Campu Securities Plc, and other subsidiaries of Public Bank Berhad. His directorships in other public companies listed on the Main Market of Bursa Malaysia Securities Berhad include Kuala Lumpur Kepong Berhad, Paramount Corporation Berhad and Malayan Flour Mills Berhad.

Mr. Quah attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.



BOARD OF DIRECTORS' PROFILE

Ms. Chan Kwai Hoe

Independent Non-Executive Director
BEd (Hons) Analytical Econ

Ms. Chan Kwai Hoe, aged 62, female, was appointed to the Board of the Company on 1 July 2015. She is also an Independent Non-Executive Director of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company. Presently, Ms. Chan serves as a member of the Audit, Nomination & Remuneration and Risk Management Committees of the Company.

Ms. Chan holds a Bachelors Degree in Analytical Economics, University of Malaya (Honours).

Ms. Chan has gained extensive experience during her tenure with Bank Negara Malaysia (BNM). She has been involved in operations and policy formulation relating to the insurance industry, as well as in supervision, having overseen the financial health and proper market conduct of a select group of insurers, brokers and adjusters. She was also in charge of the Learning, Knowledge and Customer Relationship Management of 13 departments of BNM, and managed a project to put in place the Financial Services Act 2013 and Islamic Financial Services Act 2013.

She retired from BNM in May 2012 and acted as Advisor to the Chief Executive Officer of Perbadanan Insurans Deposit Malaysia, mainly on issues relating to FIDE (Financial Institutions Directors' Education Programme) Forum until March 2013.

Ms. Chan attended all the 9 Board Meetings which were held during the financial year ended 31 December 2018.



Ms. Soo Chow Lai

Independent Non-Executive Director
BA Econ (Hons)

Ms. Soo Chow Lai, aged 66, female, was appointed to the Board of the Company on 1 August 2018. Presently, Ms. Soo serves as a member of the Audit and Risk Management Committees of the Company.

Ms. Soo holds a Bachelor of Arts – Econ (Honours) Degree.

Ms. Soo worked in Malaysian National Reinsurance Bhd and its Associated Company, Labuan Reinsurance (L) Ltd for about 30 years in various senior positions. She has extensive experience in reinsurance underwriting, claims evaluations and settlements, investment of insurance and shareholders funds and property management. She also travelled widely for business development both locally and internationally during which had close networking with many senior executives of insurance and reinsurance companies, brokers, bankers, stockbrokers and asset managers. As a member of the Senior Management team, Ms. Soo was involved in policy decisions of the companies, besides frequent interaction with Board members and shareholders.

Ms. Soo attended 3 Board Meetings which were held during the financial year ended 31 December 2018.



COMPANY SECRETARY

Ms. Kong Thian Mee

Company Secretary
FCIS

Ms. Kong Thian Mee, female, aged 49, was appointed as Company Secretary of LPI Group on 1 August 2000 and heads the Group's Secretariat Department. She relinquished her position as Company Secretary of the Company's wholly-owned subsidiary, Lonpac Insurance Bhd (Lonpac), a public company, and remains as Company Secretary of the Company with effect from 10 April 2017. She is the Secretary for all the Board Committees of the Company. She is also a member of the Investment Committee of the Company. Further, Ms. Kong is the Company Secretary of an associate company, Campu Lonpac Insurance Plc.

Ms. Kong is a Chartered Secretary (ICSA) and a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators.



NONE OF THE DIRECTORS HAS :

- Any family relationship with any Director and/ or major shareholder of LPI Capital Bhd.
- Any conflict of interest in any business arrangement involving LPI Capital Bhd.
- Any convictions for any offences within the past 5 years other than traffic offences.
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

All the Directors are Malaysians.

KEY SENIOR MANAGEMENT PROFILE

Tan Kok Guan



Chief Executive Officer/ Executive Director
(LPI Capital Bhd)

Age: 62

Nationality: Malaysian

Gender: Male

Working Experience:

Mr. Tan Kok Guan, was appointed to the senior management position of LPI Capital Bhd ("LPI") on 1 March 1994. He was an executive director of LPI from October 1996 to May 1999 and thereafter served as a Non-Independent Non-Executive Director to July 2013. He was appointed as Chief Executive Officer/ Executive Director of LPI with effect from 8 July 2013.

Mr. Tan held the position of Executive Director of LPI's wholly-owned subsidiary, Lonpac Insurance Bhd, a public company, until his retirement on 7 January 2018.

Mr. Tan does not hold any directorship in any other public listed companies.

Mr. Tan holds a Bachelor's Degree with Honours in Science from the University of London, United Kingdom and a Master's Degree in Business Administration from the University of Hawaii. He is also a Chartered Insurer of the Chartered Insurance Institute in London and an Associate of the Malaysian Insurance Institute in Kuala Lumpur.

Looi Kong Meng



Chief Executive Officer/ Executive Director
(Lonpac Insurance Bhd)

Age: 59

Nationality: Malaysian

Gender: Male

Working Experience:

Mr. Looi Kong Meng, was appointed to the senior management position when he joined Lonpac as a Chief Operating Officer on 1 February 2008. He has more than 40 years of experience in the general insurance industry. Mr. Looi was promoted to Chief Executive Officer in 2013. He was appointed to the Board of Lonpac Insurance Bhd as Executive Director with effect from 8 January 2018.

Mr. Looi does not hold any directorship in LPI or in other public listed companies.

Mr. Looi is a Chartered Insurer and Associate of both the Chartered Insurance Institute (ACII) and the Malaysian Insurance Institute (AMII).

Chuang Chee Hing



Deputy Chief Executive Officer
(Lonpac Insurance Bhd)

Age: 56

Nationality: Malaysian

Gender: Male

Working Experience:

Mr. Chuang Chee Hing, was appointed to the senior management position on 1 January 1993. He has more than 30 years of experience in the general insurance industry. He was appointed as Chief Operating Officer of Lonpac in 2013 and rose to his present position as Deputy Chief Executive Officer on 1 January 2018.

Mr. Chuang does not hold any directorship in LPI or in other public listed companies.

Mr. Chuang is a holder of a Bachelor's Degree with Honours in Science (Education) from Universiti Sains Malaysia.

NONE OF THE KEY SENIOR MANAGEMENT MEMBERS HAS:

- Any family relationship with any Director and/or major shareholder of LPI.
- Any conflict of interest in any business arrangement involving LPI.
- Any convictions for any offences within the past 5 years other than traffic offences.
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

HEADS OF DEPARTMENT

LONPAC INSURANCE BHD

(Wholly-owned subsidiary of LPI Capital Bhd)

BUSINESS DEVELOPMENT DIVISIONS

Yow Kai Fook

B. Chem. Eng.

Agency and Financial Institution

– Senior General Manager

Lim Sun

B. Sc.

Business Unit

– Business Advisor

Goh Siew Keng

Chartered Insurer, B. Econs. (Hons.), ACII, AMII

Broking, Global Partnership and Reinsurance

– General Manager

Raymond Tan Soo Boon

Chartered Insurer, B.A. Econs (Hons.), ACII, AMII

Branches Strategic Performance

– General Manager

Ernie Bak Hock Liang

B. Econs.

Digital Strategy

– Senior Manager

Kevin Wong Vui Khong

B. Sc.

Trade Credit

– Director

Noor Hayati Yaacob

B.A. International Relations

Customer Service

– Manager

Quek Sun Hui

Chartered Insurer, B. Eng (Civil), MBA, ACII

Foreign Branch, Singapore

– Chief Executive

TECHNICAL DIVISIONS

Peter Puah Boon Kee

B.E. (Civil) (Hons.)

Underwriting

– General Manager

Sallehuddin Marzuki

B.B.A. (Insurance)

Underwriting I

– Assistant General Manager

Foong Heng Wah

B.E. (Civil), AAI

Underwriting II

– Assistant General Manager

Voon Wing Chuan

Chartered Insurer, B.A. (Econs.) (Hons.), MBA,

ACII, AMII, ANZIIF (Snr. Assoc.)

Claims

– Assistant General Manager

Chew Han Wah

B. Com. (Hons.), FIAA, FASM

Actuarial

– Senior Manager

Alvin Lim Jun Sum

B.A. Actuarial Science

Pricing

– Manager

Lee Chiew Lai

B. Sc.

Enterprise Risk Management

– Manager

HEADS OF DEPARTMENT

LONPAC INSURANCE BHD

(Wholly-owned subsidiary of LPI Capital Bhd)

PORTFOLIO MANAGEMENT DIVISION

Sonny Tan Siew Hock

Chartered Insurer, MBA, ACII, AMII, HIA

Health & Accident

– General Manager

INTERNAL AUDIT

Irene Hwang Siew Ling

B. Acc. (Hons.), CA (M'sia), CPA (M'sia), CMIIA

Internal Audit

– General Manager

SUPPORT DIVISIONS

Harry Lee Chee Hoong

ANZIIF (Snr. Assoc.)

Group Finance & Corporate Services

– General Manager

Tammy Kong Thian Mee

Chartered Secretary (FCIS)

Group Secretariat and Human Resource

– General Manager

Ivy Perera

B. Sc. (Hons.)

Information Technology

– Deputy General Manager

Ng Seng Khin

B. Acc. (Hons.), CA (M'sia)

Accounts & Finance

– Assistant General Manager

Emily Tan Chooi Hua

Dip. Bus. & Mgt.

Administration

– Director

Vijayan Ramanjulu

LLB

Compliance & Legal

– Director

Lim Wai Cheng

CAHRI, Dip. Bus. Admin.

Employment Management

– Manager

Charmaine Chan Wai Mun

CAHRI, B.A. HR. Mgt.

Employees Welfare

– Manager

Shanice Goh Ooi Yean

ACIS

Secretariat

– Manager

Fong Pei Wei

B. Comm. (Hons.)

Training

– Manager

CORPORATE GOVERNANCE

OVERVIEW STATEMENT



The Group remains resolute in ensuring uncompromised integrity and performance with a good record of delivering long-term sustainability and creating economic value for its shareholders as well as protecting other stakeholders' interests.



The Board of Directors ("Board") and Management of LPI Group strongly uphold the highest standards of corporate governance and affirm that good corporate governance is vital to the continuous growth of the LPI Group. The Group remains resolute in ensuring uncompromised integrity and performance with a good record of delivering long-term sustainability and creating economic value for its shareholders as well as protecting other stakeholders' interests.

As a public company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") with an insurance subsidiary, Lonpac Insurance Bhd ("Lonpac"), licensed under the Financial Services Act 2013 ("FSA"), LPI Group conforms to the requirements, principles and best practices of corporate governance established by the following:

- Bursa Securities' Main Market Listing Requirements ("LR")
- Policy Document on Corporate Governance ("Policy Document") issued by Bank Negara Malaysia ("BNM")
- The Malaysian Code on Corporate Governance ("MCCG") issued by Securities Commission Malaysia

MCCG PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

The Board is fully committed to ensuring that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted in a transparent and objective manner with full accountability and integrity to safeguard stakeholders' interest.

I DIRECTORS

The Board

The Board is responsible for the overall governance of the Group by providing strategic guidance and putting in place succession plans of the Group, the effective monitoring of management goals, accountability to the Group and shareholders as well as ensuring that the Group's internal controls, risk management and reporting procedures are well in place. The Board Members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the Policy Document issued by BNM and MCCG issued by Securities Commission Malaysia, and act in the best interests of the Group and its shareholders.

The Board Members are attentive to applying high ethical standards in their decision-making, taking into account the interests of all stakeholders.

Board Charter

The primary objective of the Company's Board Charter ("Charter") is to set out the mandate, responsibilities and procedures of the Board in accordance with the principles of good corporate governance stated in the policy documents, guidelines and requirements issued by regulatory authorities. The Board is guided by the Charter which provides a reference for directors in relation to the Board's role, powers, duties and functions. The Charter also outlines processes and procedures for the Board to be effective and efficient. The Board had revised the Charter on 25 October 2017 to ensure it remains consistent with the Board's objectives and responsibilities, and all the relevant standards of corporate governance. A copy of the Charter is available on the Company's website at www.lpicapital.com.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

The Charter encompasses the following main areas:

- Board Size and Composition.
- Position Description for Chairman, Co-Chairman, Chief Executive Officer (“CEO”)/ Executive Director and Non-Executive Director(s).
- Board Committees.
- The Responsibilities of the Board/ Formal Schedule of Matters that are reserved for the Board’s Deliberation and Decision Making.
- Conduct of Board Meetings.
- Access to Information and Independent Advice.
- Directors’ Training and Continuing Education.
- Time Commitment.
- Board Policies.
- Review of Charter.

Board Composition, Diversity and Independence

In 2018, the Board consists of 7 members of which one member is an Executive Director cum CEO. Out of the 6 remaining Non-Executive Directors, 4 are independent directors. The present composition complies with the composition requirement as stated in Bursa Securities’ Main Market LR as more than 1/3 of the Board Members are independent directors.

The Independent Non-Executive Directors do not engage in the day-to-day management of the Group and do not participate in any business dealings and are not involved in any other relationship with the Group that could reasonably be perceived to materially interfere with their exercise of unfettered and independent judgement. This is to enable the Independent Non-Executive Directors to discharge their duties and responsibilities effectively and to avoid any conflict of interest situations. The Independent Non-Executive Directors also provide independent and objective views, assessment and suggestions in deliberations of the Board, and ensure effective check and balance in the functioning of the Board.

There is a clear division of roles and responsibilities between the Chairman/ Co-Chairman and the Executive Director cum CEO. The terms of reference of the Non-Independent Non-Executive Chairman and the Independent Non-Executive Co-Chairman are distinct and separate from the duties and responsibilities of the Executive Director cum CEO to ensure a balance of power and authority in an effective Board.

Tan Sri Dato’ Sri Dr. Teh Hong Piow, Founder and Chairman of LPI, is widely acclaimed both domestically and internationally as a banking grandmaster. He has received numerous awards for his par excellence achievements as a banker, CEO and transformational leader. Tan Sri Dato’ Sri Dr. Teh Hong Piow has received countless prestigious awards in recognition of his significant contributions to the banking and finance industries, and for his socioeconomic development initiatives, both locally and abroad.

Mr. Tee Choon Yeow, the Independent Non-Executive Co-Chairman, was the CEO of the Company, prior to his retirement in 2013. He possesses extensive knowledge and experience in the insurance industry through his long service with the Group. He was appointed as Co-Chairman of the Board on 8 October 2015.

Mr. Tan Kok Guan, the CEO/ Executive Director, is a Chartered Insurer and an Associate Member of both the Chartered Insurance Institute in London and Malaysian Insurance Institute in Kuala Lumpur, Malaysia. His vast experience and depth of knowledge of the insurance industry has contributed to strategic leadership to the Management and Group.

The other 4 Non-Executive Directors, Mr. Quah Poh Keat, Ms. Chan Kwai Hoe, Mr. Lee Chin Guan and Ms. Soo Chow Lai are professionals in their own right with wide-ranging experiences, skills and expertise in various fields.

The profiles of the Members of the Board are presented on pages 84 to 88 of this Annual Report.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

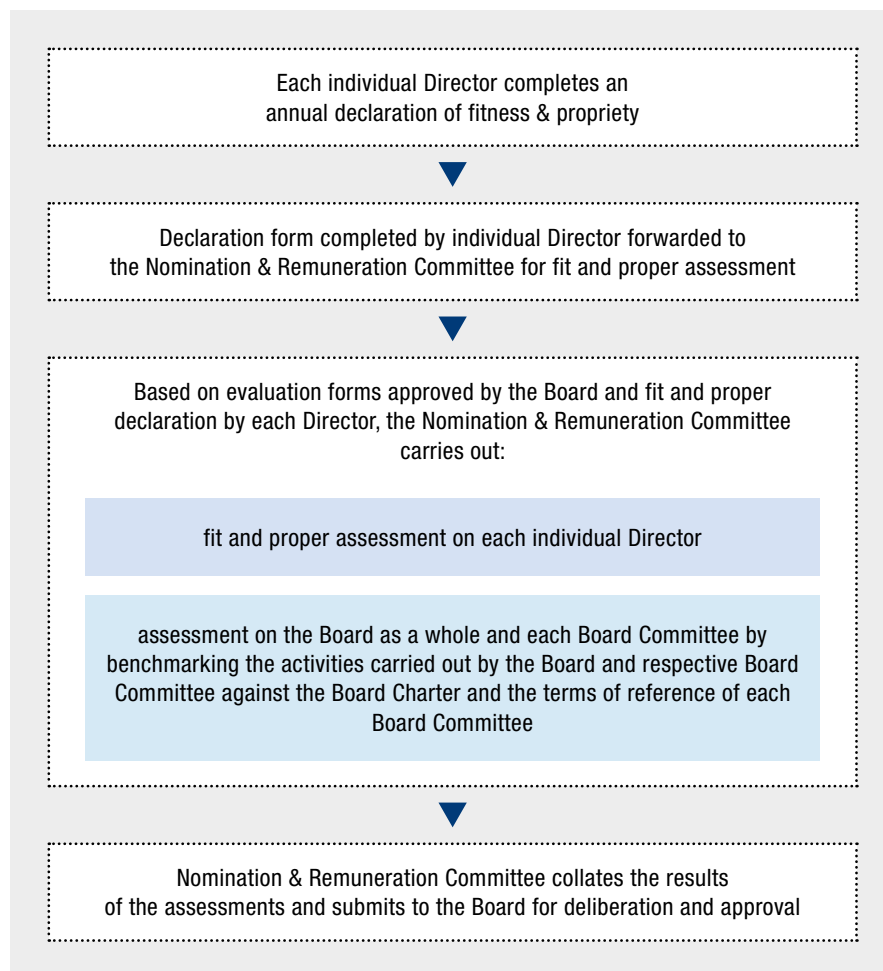
According to the Company's Board Diversity Policy, the Board recognises diversity as an important criterion that is used to determine board composition and to ensure that different perspectives are considered for Board effectiveness and strength. Increasingly, diversity is considered an essential measure of good governance and is a critical attribute of a well-functioning board. Board diversity includes gender, ethnicity, age, business experience, skills and cultural background. Diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance. The Board has considered appropriate targets in the achievement of Board Diversity Policy including gender balance on the Board and takes the necessary measures to meet these targets from time to time as appropriate. The Board had on 1 August 2018 appointed an additional female Director, in moving towards 30% women participation on the Board.

The Board and the Nomination & Remuneration Committee, in reviewing and assessing suitable candidates for the Board and in performing annual assessment on each Director, would be guided by the above policy on diversification.

The Board has put in place an annual performance evaluation process and delegated the authority to the Nomination & Remuneration Committee to assess the effectiveness of the Board and Board Committees, the performance of individual Directors as well as each Audit Committee member, based on the assessment factors stated in the Company's internal policies approved by the Board.

The Nomination & Remuneration Committee would deliberate on the results of assessment and submit to the Board for approval.

The Nomination & Remuneration Committee conducts the annual performance assessment via peer review, guided by the following process:



The Nomination & Remuneration Committee has developed the following assessment criteria for the assessment of the independence of the Independent Directors as per:

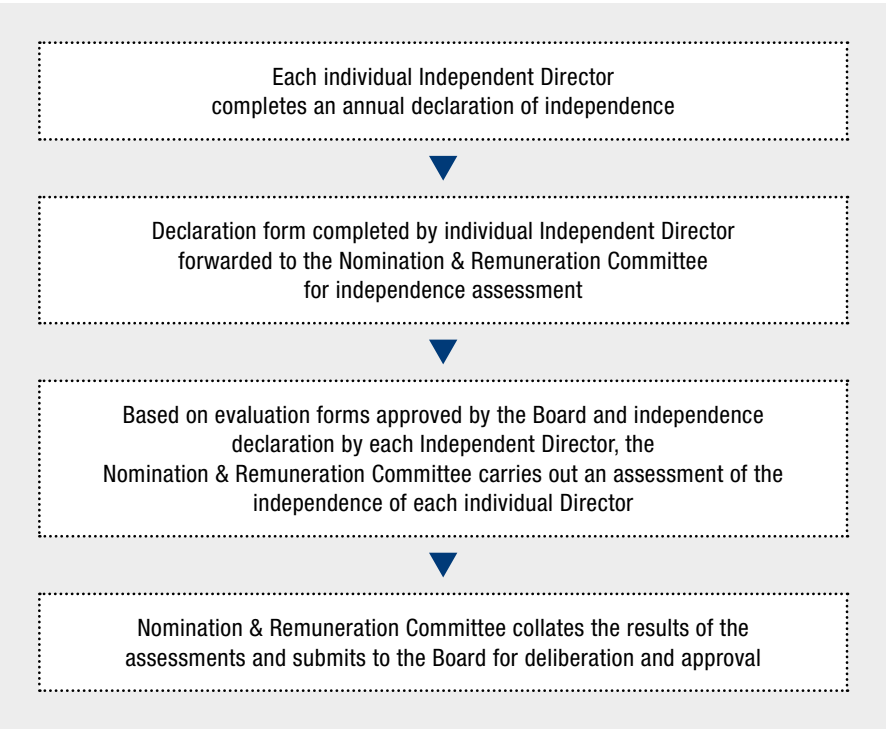
- Bursa Securities' Main Market LR; and
- The Board Charter.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

The Board has also established a policy on maximum tenure of 9 years for Independent Directors.

The annual performance evaluation on Independent Directors by peers and the Nomination & Remuneration Committee is guided by the following process:



Code of Conduct and Ethics for Directors

The Board has established a Code of Conduct and Ethics for Directors (“Code”) that aims to outline the standards of business conduct and ethical behaviour which the Directors should possess in discharging their duties and responsibilities, and to enhance the high standards of personal integrity and professionalism of the Directors.

The Code is based on the following principles:

<ul style="list-style-type: none"> Compliance with legal and regulatory requirements, and Group’s policies; 	<ul style="list-style-type: none"> Integrity;
<ul style="list-style-type: none"> Observance of Board Charter; 	<ul style="list-style-type: none"> Objectivity;
<ul style="list-style-type: none"> Duty to act in the best interests of the Group; 	<ul style="list-style-type: none"> Confidentiality; and
<ul style="list-style-type: none"> Competence; 	<ul style="list-style-type: none"> Fairness.

In addition, the Board also adopted the Policy on Directors’ Conflict of Interest, aim at guiding the Board in managing directors’ conflict of interest.

Directors should observe the following to avoid conflict of interest:

- ▶ Not making improper use of information;
- ▶ Not making secret profits;
- ▶ Observing duty of disclosure in relation to contracts with the Company pursuant to relevant regulatory requirements;
- ▶ Observing duty of disclosure by written notice to the Board and Company Secretary on material transactions or material arrangements with the Group;
- ▶ Observing duty to refrain from participation and voting where a Director has a direct or indirect interest; and
- ▶ Complying with related party transactions provisions pursuant to relevant statutory requirements.

Directors are required to disclose actual or perceived conflict of interest by way of written notice and refrain from attempting to influence any decisions in which they may have or be perceived to have a conflict of interest. Directors manage conflict of interest by the following:

- ▶ Disclose conflict of interest;
- ▶ Manage and control the conflict; and
- ▶ Refrain from any activity where necessary to avoid conflict of interest.

CORPORATE GOVERNANCE

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Directors will disclose existing or perceived conflicts of interest prior to the commencement of each Board Meeting. The Company Secretary will respond to disclosures by:

- ▶ Recording in the minutes of the meeting a Director's disclosure of a conflict of interest relating to particular agenda items; and
- ▶ Recording in the minutes of the next meeting a Director's conflict of interest disclosure made outside of meeting times.

A copy of the Code and Policy on Directors' Conflict of Interest is published on the Company's website at www.lpicapital.com.

Duties and Responsibilities of the Board

The core responsibilities of the Board include reviewing and approving the Group's business strategies and plans, significant policies, and monitoring the Management's performance in implementing them.

In carrying out their duties and responsibilities, the Board exercises great care to ensure that high ethical standards are upheld, and that the interests of stakeholders are not compromised. The Board Members are constantly mindful that the interests of the Group's stakeholders are protected.

The Board's principal functions include the following responsibilities:

- Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- Ensure that Management has the necessary skills and experience, and that there are measures in place to provide for the orderly succession of Board and Management.
- Oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Company's operations.
- Promote, together with Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.
- Promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies. Also ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.
- Oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.
- Review, challenge and decide on Management's proposals for the Company, and monitor its implementation by Management.
- Supervise and assess management performance to determine whether the business is properly being managed.
- Ensure there is a sound framework for internal controls and risk management.
- Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks.
- Ensure the integrity of the Company's financial and non-financial reporting.
- Ensure that the Company has in place procedures to enable effective communication with stakeholders.

CORPORATE GOVERNANCE

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The Chairman, in leading the Board in its collective oversight of management, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman:

- manages the interface between Board and Management and provides support and guidance to Management Officers to help facilitate management succession planning.
- grooms and mentors Management Officers to achieve consistently high levels of professionalism and excellent performance.
- provides leadership to the Board and is responsible for the developmental needs of the Board.
- ensures that appropriate procedures are in place to govern the Board's operation.
- leads the Board in establishing and monitoring good corporate governance practices in the Company.

The Co-Chairman:

- ensures the smooth functioning of the Board and the governance structure, and inculcates a positive culture in the Board.
- ensures that procedures and processes are in place to facilitate effective conduct of business by the Board.
- chairs Board meetings and encourages active participation and healthy discussion to ensure that dissenting views can be freely expressed and discussed.
- ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.
- provides leadership to the Board and is responsible for the developmental needs of the Board.
- chairs general meetings of the Company and provides clarification on issues that may be raised by the shareholders.
- ensures that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

The CEO/ Executive Director is responsible for:

- the business and day-to-day management of the Company;
- providing leadership to Management;
- formulating strategic vision and business directions for the Company;
- developing and implementing corporate strategies to meet performance targets without neglecting longer-term growth opportunities of the Company;
- ensuring that Board decisions and policies set for the Management by the Board are implemented effectively; and
- keeping the Board well informed of salient aspects and issues concerning the Company's operations and ensuring that adequate management reports are submitted to the Board.

CORPORATE GOVERNANCE

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The 4 Independent Non-Executive Directors, by virtue of their roles and responsibilities, in effect represent the minority shareholders' interests in LPI Group. The Independent Non-Executive Directors engage proactively with the Management and with both the external and internal auditors. This is particularly so in the case of Mr. Tee Choon Yeow who is the Chairman of the Risk Management Committee and Mr. Lee Chin Guan who is the Chairman of the Audit Committee.

The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. They also serve to inspire and challenge the Management in an objective and constructive manner. In enhancing the function of the Independent Non-Executive Directors, the Board has also defined their roles and responsibilities to include the following:

- Provide independent and objective views, assessment and suggestions in Board's deliberations;
- Act as a bridge between Management and stakeholders, particularly shareholders and ensure that the Company has in place the procedures to enable effective communication with stakeholders;
- Provide the relevant check and balance during board deliberations and safeguard shareholders' and other stakeholders' interests, while ensuring high standards of corporate governance are applied;
- Mitigate any possible conflict of interest between the policymaking process and the day-to-day management of the Group; and
- Constructively challenge and contribute to the development of the business strategies and direction of the Group.

The Chairman of the Audit Committee, Mr. Lee Chin Guan, is the designated Independent Non-Executive Director to whom concerns relating to the Group may be conveyed by the shareholders and other stakeholders.

The Directors are at liberty to obtain advice from independent professionals if deemed necessary for the proper discharge of their duties, at the expense of the Company.

Board Meetings and Supply of Information to the Board

Board meetings for the subsequent financial year are scheduled in advance before the end of current financial year so as to enable the Directors to plan their schedules accordingly. As stated in the Board Charter, the Board will meet at least 4 times in each financial year. Board meetings are convened upon the finalisation of LPI Group's quarterly and annual results, to review and approve the results for submission to Bursa Securities. Additional Board meetings are also held when warranted by situations such as to deliberate on urgent corporate proposals or matters that require expeditious direction of the Board.

Board meetings are conducted in accordance to a structured agenda. Board Members are provided with the structured agenda together with the relevant documents and information in reasonable time prior to the Board meeting. This is to facilitate the Directors to peruse the Board papers and seek clarification that they may require from the Management or the Company Secretary well ahead of the meeting date. Urgent papers may be presented for tabling at the Board meetings under supplemental agenda.

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

At the Board meetings, the Board reviews management reports on the business performance of the Company and its subsidiary, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also against the industry. As part of the integrated risk management initiatives, the Board peruses the decisions and salient issues deliberated by the Board Committees and Management Committees through minutes of these committees. The Board Members also deliberate, and in the process, evaluate the feasibility of business propositions and corporate proposals as well as any principal risks that would have significant impact on the Group's business and the measures to mitigate such risks.

The Chairman of the Audit Committee would inform the Directors at Board meetings of any significant audit findings deliberated by the Audit Committee which require Board's attention and approval for implementation.

The Chairman of the Risk Management Committee would inform the Board on the salient matters discussed at the Risk Management Committee meetings which require the Board's direction.

Timely circulation of notice of meetings together with the agenda and meeting materials (approximately 5 business days ahead of Board Meetings), is to allow reasonable time for Directors to peruse Board papers prior to the Board meetings. The papers of the Board meetings are presented in a concise and comprehensive format. Board meeting papers include progress reports on

business operations, detailed information on business propositions and corporate proposals including the relevant supporting documents. The agenda and meeting papers are uploaded to a secured server and downloaded and accessed by the directors via their ipad.

The Directors have a duty to make an immediate declaration to the Board if they have any interests in transactions to be entered into directly or indirectly with LPI Group. The interested Directors would abstain themselves from deliberations and decisions of the Board on the transaction. In the event where a corporate proposal is required to be approved by shareholders, the interested Directors would abstain from voting, in respect of their shareholdings in LPI, on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Minutes of Board meetings are circulated to all Directors for their perusal prior to the confirmation of the minutes at the following Board meeting. The Directors may request for further clarification or raise comments on the minutes prior to the confirmation of the minutes as a correct record of proceedings of the Board.

The Board has direct access to the Management and has full and unrestricted access to any information relating to the Group's operations in the discharge of their duties and may require to be provided with further details or clarification on the Board meeting

agenda items. The relevant Management officers would be invited to attend Board meetings to brief the Board on matters relating to their respective areas of responsibility.

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary.

The Company Secretary supports the Board by giving advices to Directors on Group's policies, procedures and relevant legislations as well as corporate governance best practices.

The Directors are regularly updated by the Company Secretary on any new statutory as well as regulatory requirements relating to the Directors' duties and responsibilities or the discharge of their fiduciary duties as Directors of the Company.

The Company Secretary notifies the Directors and the principal officers of closed periods for trading in LPI shares, pursuant to the requirements stated in Bursa Securities' Main Market LR.

The Company Secretary attends all Board and Board Committees meetings and ensures that accurate and adequate records of the proceedings of Board and Board Committee meetings and the decisions made are properly kept at registered office.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

Time Commitment

The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the 9 Board meetings held during the financial year ended 31 December 2018 as follows:

Name of Director	Scheduled Board Meetings	Attendance
Non-Independent		
Tan Sri Dato' Sri Dr. Teh Hong Piow <i>Non-Executive Chairman</i>	9	9
Tan Kok Guan <i>Chief Executive Officer/ Executive Director</i>	9	9
Quah Poh Keat <i>Non-Executive Director</i>	9	9
Independent		
Tee Choon Yeow <i>Non-Executive Co-Chairman</i>	9	9
Lee Chin Guan <i>Non-Executive Director</i>	9	9
Chan Kwai Hoe <i>Non-Executive Director</i>	9	9
Soo Chow Lai <i>Non-Executive Director</i> <i>(Appointed on 1 August 2018)</i>	3	3

All Directors have adequately complied with the minimum requirements on attendance at Board meetings as stipulated in Bursa Securities' Main Market LR (minimum 50% attendance).

Directors' attendance at Board meetings above reflected that the Directors have devoted sufficient time to prepare for and attend Board meetings, and maintained a sound understanding of the business of the Company as well as relevant market and regulatory developments.

During the year under review, the Directors have ensured their time commitment to discharge their duties effectively, as they do not hold more than five directorships in the public listed companies, detailed as below:

**Holding only one
directorship:
4 Directors**

**Holding two
directorships:
2 Directors**

**Holding four
directorships:
1 Director**

While there is no restriction on directorships in non-listed issuers, Directors are aware that they should avoid over commitment in multiple directorships which may affect their performance in carrying out their role as Directors of the Company.

Nomination and Election Process of Board Members

The appointment, re-appointment and annual assessment of Directors are set out in a formal and transparent manner, the primary responsibility of which has been delegated to the Nomination & Remuneration Committee. This procedure is in line with all the relevant regulatory requirements and internal policies. Under this procedure, the Nomination & Remuneration Committee proposes nominees for appointment to the Board, and recommends to the Board on the appointment, re-appointment and assessment of the Directors for approval.

The Nomination & Remuneration Committee also oversees the overall composition of the Board in terms of the appropriate size and skills as well as the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required to be deemed fit and proper to be appointed as a Director in accordance with all the relevant regulatory requirements through annual review. Further, the Nomination & Remuneration Committee is to ensure that all Directors fulfil fit and proper requirements as stated in the Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary ("Policy and Procedure on Fit and Proper").

CORPORATE GOVERNANCE

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The Board, assisted by the Nomination & Remuneration Committee, considers the following aspects in making the selection:

- ▶ Probity, Personal Integrity and Reputation – the person must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- ▶ Competency and Capability – the person must have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position.
- ▶ Financial Integrity – the person must manage his debts or financial affairs properly and prudently.

The Board has established a clear and transparent Nomination Process for the Appointment of Directors. The nomination process involves the following 5 stages:

- ▶ Identification of candidates;
- ▶ Evaluation of suitability of candidates;
- ▶ Meeting up with candidates;
- ▶ Final deliberation by the Nomination & Remuneration Committee; and
- ▶ Recommendation to the Board.

Appointments to the Board/ Re-Appointment and Re-Election of Directors

The proposed appointment of a new Member to the Board will be deliberated by the full Board based on the recommendation of the Nomination & Remuneration Committee. The Nomination & Remuneration Committee would be guided by an internal policy on Criteria and Skill Sets for the Board Members and Chief Executive Officer (“Policy on Criteria and Skill Sets”) in assessing the suitability of the potential candidates for appointment to the Board.

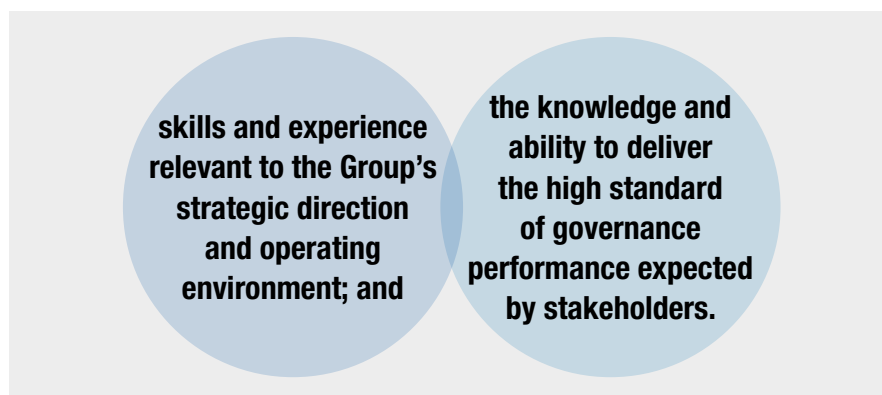
There was a new appointment of a Director, Ms. Soo Chow Lai, in 2018 via recommendation from an existing board member. The Board, after the review of the Nomination & Remuneration Committee’s assessment on Ms. Soo based on Policy on Criteria and Skill Sets and independence criteria as per Bursa Securities Main Market Listing Requirements, was satisfied that Ms. Soo has met the fit and proper as well as independence requirements, whereby she possesses relevant qualifications, experience and skills to uphold her responsibility as a Director of the Company.

In accordance with the Company’s Memorandum and Articles of Association (Constitution), 1/3 of the Directors, or, if their number is not a multiple of 3, the number nearest to 1/3 with a minimum of 1, shall retire from office at each Annual General Meeting (“AGM”) and they may offer themselves for re-election. Directors who are appointed by the Board during the financial period before the AGM are subject to re-election by the shareholders at the first opportunity after their appointments.

The Nomination & Remuneration Committee carries out an annual assessment of each Director’s contribution to the Company, and recommends the Directors who will be subject to re-election at the next AGM, to the Board and shareholders for approval.

Board Succession Planning

The Board is responsible to ensure that the composition of the Board is systematically refreshed so that the Board will comprise directors with:



CORPORATE GOVERNANCE

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The Board shall ensure a smooth transition when directors resign from the Board and that skill gaps are addressed when appointing new directors.

The Board should also consider the following (which may be subject to the relevant regulatory requirements imposed by authorities) in Board succession planning:

- ▶ Academic and professional qualifications, relevant experience and character of the new director.
- ▶ Minimum and maximum numbers for the Board and the Board Committees' membership.
- ▶ Term limits on the Board, the Board Committees and CEO positions.
- ▶ Possibility of term renewal or maximum number of terms of appointment.
- ▶ Independence requirements.
- ▶ Fit and proper requirements.
- ▶ Re-appointment or re-election of directors.
- ▶ Time commitment.
- ▶ Limit on common directorships.
- ▶ Composition of the Board.

The Nomination & Remuneration Committee shall assist the Board in carrying out the succession planning policy.

II REMUNERATION

Directors' Remuneration Policies and Procedures

The Nomination & Remuneration Committee reviews the remuneration of the Directors annually and submits its recommendations to the Board on specific adjustments and/ or reward payments that reflect their respective contributions throughout the year, and are also competitive and in tandem with the Group's corporate objectives, culture and strategy.

The Nomination & Remuneration Committee and the Board would ensure that the remuneration policy for the Directors remains competitive to attract and retain Directors of such calibre to provide the necessary skills and experience and to commensurate with the responsibilities for an effective Board.

The remuneration packages for Executive Directors should involve a balance between fixed and performance-linked elements. The relative weightage of fixed and variable remuneration for target performance varies with the level of responsibility, complexity of the role and typical market practice. The executive remuneration should be set at a competitive level for similar roles within comparable markets to recruit and retain high quality senior executives. Individual pay levels should reflect the performance, skills and experience of the Director as well as the responsibility undertaken and is structured so as to link the short and long-term rewards to both corporate and individual performance.

For Non-Executive Directors, the review of the Directors' fees should take into account the fee levels, the trends for similar positions in the market and the time commitment required from the director.

The following areas are to be considered by the Nomination & Remuneration Committee in developing the remuneration package:

- a. Company's performance indicators such as revenue, profit before tax, profit after tax, earnings per share, return on equity etc;
- b. Complexity of the Group's business and the individual's responsibilities and the remuneration package should be aligned with the business strategy and long-term objectives of the Group. The remuneration and incentives for Independent Directors should not conflict with their obligation to bring objectivity and independent judgment on matters discussed at the Board meetings; and
- c. The Nomination & Remuneration Committee's assessment on each Director and develop the remuneration package taking into consideration the performance, achievement and time commitment of each Director.

The proposed recommendation of the remuneration package shall be approved by the Board.

The Directors' Remuneration Policies and Procedures will be reviewed every five (5) years.

CORPORATE GOVERNANCE

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Each individual Director abstains from the Board decision on his own remuneration package. Directors' fees are approved at the AGM by the shareholders.

Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2018 are as follows:

RM'000						
Company	Salaries	Fees	Bonuses	Other Remuneration	Benefits-in-kind	Total
Executive Director						
Tan Kok Guan	1,044	120	1,087	256	42	2,549
Non-Executive Directors						
Tan Sri Dato' Sri Dr. Teh Hong Piow	-	300	-	-	-	300
Tee Choon Yeow	-	185	-	-	-	185
Lee Chin Guan	-	120	-	-	-	120
Quah Poh Keat	-	120	-	-	-	120
Chan Kwai Hoe	-	120	-	-	-	120
Soo Chow Lai ^{N1}	-	50	-	-	-	50
Total	1,044	1,015	1,087	256	42	3,444

RM'000						
Group	Salaries	Fees	Bonuses	Other Remuneration	Benefits-in-kind	Total
Executive Director						
Tan Kok Guan	1,044	120	1,087	256	42	2,549
Non-Executive Directors						
Tan Sri Dato' Sri Dr. Teh Hong Piow	-	670	-	11	35	716
Tee Choon Yeow	-	415	-	67	-	482
Lee Chin Guan	-	270	-	67	-	337
Quah Poh Keat	-	270	-	67	-	337
Chan Kwai Hoe	-	270	-	67	-	337
Soo Chow Lai	-	50	-	-	-	50
Executive Director and Chief Executive Officer of subsidiary						
- Looi Kong Meng	720	150	600	178	35	1,683
Non-Executive Directors of subsidiary						
- Encik Mohd Suffian Bin Haji Haron	-	150	-	67	-	217
- Wong Ah Kow ^{N2}	-	50	-	21	-	71
Total	1,764	2,415	1,687	801	112	6,779

^{N1} - Appointment on 1 August 2018

^{N2} - Appointment on 1 September 2018

CORPORATE GOVERNANCE

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Remuneration Policy for Employees

The Remuneration Policy for Employees shall enable the furtherance of the Group's vision and missions. Remuneration to the employees of the Group shall reward and be used to align individual performances with the Group's short and long term goals. Employee remuneration shall be supported by a robust performance management system underpinned by the fundamentals of sound risk management, ethics and corporate responsibility. The policy will be reviewed every five (5) years.

The said policy applies to all levels and segments of employees within the Group including the Management, business development, technical, control and support employees.

PRINCIPLES

Business Focused

Remunerations must be relevant and aligned towards the achievement of the Group's business results. There must be no conflict of interest. Remuneration should drive employees' diligence, dedication and competency level towards successful implementation of the Group's goals and strategies.

Prudent

The remuneration structure and quantum must reinforce the importance of sustainability, encourage ethical behaviours and sound risk management, as opposed to short-term view on remuneration without consideration of consequences.

Informed

The performance assessor must have adequate quantitative and qualitative measurements of performance before any recommendation on remuneration is made. The assessments upon which remunerations are recommended must be practicable, measureable and objective.

Fair

Total remuneration packages must take into account of market environment factors including the dynamics and scale of the Group's business, its financial position and the market condition, in addition to individual merits. There must be no discrimination, biased treatment or any form of exploitation. Proper, fair and logical justification must ensue.

Transparent

There must be clear and timely communication of remuneration linked to the specified job requirements. Employees should understand the expectations set out and seek for clarification where necessary.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

Details of the remuneration of the top 5 Management (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial year 2018, are as follows:

Range of Remuneration (RM)	Name of Top 5 Management
600,001 - 650,000	Mr. Harry Lee Chee Hoong – General Manager, Group Finance & Corporate Services, LPI Capital Bhd
700,001 - 750,000	Mr. Yow Kai Fook – Senior General Manager, Agency & Financial Institution, Lonpac Insurance Bhd
1,250,001 - 1,300,000	Mr. Chuang Chee Hing – Deputy Chief Executive Officer, Lonpac Insurance Bhd
1,650,001 - 1,700,000	Mr. Looi Kong Meng – Executive Director/ Chief Executive Officer, Lonpac Insurance Bhd
2,500,001 - 2,550,000	Mr. Tan Kok Guan – Executive Director/ Chief Executive Officer, LPI Capital Bhd

III DIRECTORS' TRAINING AND EDUCATION

The Board acknowledges that the Directors' training is an ongoing process to continually develop and refresh their knowledge and skills, and to update themselves on developments in the financial industry and business landscape both domestically and internationally.

During the financial year 2018, all the Directors had attended various training programmes, talks, dialogue sessions and forums organised by external professionals, according to respective Director's own training needs in carrying out their duties as Directors and also to keep themselves abreast of market developments and updated on relevant regulatory requirements.

The Board via the Nomination & Remuneration Committee has undertaken an assessment of training needs of each Director covering areas relating to corporate governance/ risk management, board leadership, banking, finance and insurance and concluded that all the trainings attended by the Directors during the financial year ended 31 December 2018 are relevant and would serve to enhance their effectiveness in the Board and the Board Committees.

The Company has organised an orientation and education programme for the newly appointed Director during the year.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

The training programmes and seminars attended by the Directors during the financial year ended 31 December 2018 are, as follows:

Corporate Governance/ Risk Management

- Corporate Governance (CG) Briefing Sessions: Malaysian Code on Corporate Governance Reporting & CG Guide
- Advocacy Programme on CG Assessment Using the Revised ASEAN CG Scorecard Methodology
- Talk on “Introduction to Corporate Liability Provision” by Dr. Mark Lovatt, Chief Executive Officer of Trident Integrity Solutions Sdn Bhd
- MSWG Launching of Malaysian-Asean Corporate Governance Report 2017
- Introduction to Corporate Liability Provision: ‘What It Is, How Will My Company Be Affected, And What Do I Need To Do To Put In Place By Way Of Safeguards?’ Mandatory Accreditation Programme

Board Leadership

- Public Bank Berhad (PBB) Talk on “Open Source Leadership”
- MIA Technical Update Session 2018
- PBB’s Talk “The 2018 Global Macroeconomic Outlook: The Calm Before The Storm” by Professor Antonio Fatas of INSEAD
- Win the Innovation Race: Unlocking the Creative Power of Asians by Professor Roy Chua
- PBB Talk on “Clearing the Digital BLUR” by Mr. Rajiv Jayaraman of KNOLSKAPE
- ACI Breakfast Roundtable 2018 (Theme: Change in the Goods and Services Tax rate from 6% to 0% effective 1 June 2018)
- IBM THINK Malaysia
- Malaysia: A New Dawn 2018 Conference
- Orientation Programme for New Directors
- Independent Directors Programme: The Essence of Independence
- 2nd Distinguished Board Leadership Series: “The Director as Coach”: An Exclusive Dialogue with Dr. Marshall Goldsmith and Launch of FIDE FORUM’s “DNA of a Board Leader”
- Talk on “Professionalism and Ethics for Board of Directors & Senior Management” by Dr. Paramsothy Vijayan of Asian Banking School
- PBB Talk on “Hostage at the Table – The Art of Leadership & Negotiations”

Banking, Finance & Insurance

- PIAM – CEOs’ Industry Briefing and Networking Lunch
- Navigating the VUCA World by Professor Tan Sri Dato’ Dr. Lin See-Yan
- 5th BNM-FIDE FORUM Annual Dialogue
- Overview of MFRS 9, Financial Instruments
- 1st PIDM-FIDE Forum Annual Dialogue
- Blockchain in Financial Services Industry by IBM
- BNM-FIDE FORUM Board Conversations (Insurance Companies & Takaful Operators)
- 2018 INED Conference on Bank Culture
- Milliman Luncheon Briefing: A Focus on Microinsurance
- BNM-FIDE FORUM Board Conversations (Insurance Companies & Takaful Operators)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

IV BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are in accordance with Bursa Securities' Main Market LR and the best practices prescribed by MCGG.

The functions and terms of reference of the Board Committees as well as authority delegated by the Board to these Committees are clearly defined by the Board.

The Board Committees are as follows:



The composition of the Board Committees and the attendance of members at Board Committees meetings held in year 2018 are as follows:

Audit Committee

Name of Committee Members	Scheduled Meetings	Attendance
Lee Chin Guan – Chairman (Independent Non-Executive Director)	4	4
Tee Choon Yeow (Independent Non-Executive Director)	4	4
Quah Poh Keat (Non-Independent Non-Executive Director) (Ceased as member with effect from 30 October 2018)	4	4
Chan Kwai Hoe (Independent Non-Executive Director)	4	4
Soo Chow Lai (Independent Non-Executive Director) (Appointed on 1 August 2018)	1	1

Nomination & Remuneration Committee

Name of Committee Members	Scheduled Meetings	Attendance
Tee Choon Yeow – Chairman (Independent Non-Executive Director)	4	4
Lee Chin Guan (Independent Non-Executive Director)	4	4
Quah Poh Keat (Non-Independent Non-Executive Director)	4	4
Chan Kwai Hoe (Independent Non-Executive Director)	4	4

Investment Committee

Name of Committee Members	Scheduled Meetings	Attendance
Tan Sri Dato' Sri Dr. Teh Hong Piow – Chairman (Non-Independent Non-Executive Director)	4	4
Tan Kok Guan (Chief Executive Officer/ Executive Director)	4	4
Kong Thian Mee (Company Secretary)	4	4

Risk Management Committee

Name of Committee Members	Scheduled Meetings	Attendance
Tee Choon Yeow – Chairman (Independent Non-Executive Director)	2	2
Lee Chin Guan (Independent Non-Executive Director)	2	2
Quah Poh Keat (Non-Independent Non-Executive Director)	2	2
Chan Kwai Hoe (Independent Non-Executive Director)	2	2
Soo Chow Lai (Independent Non-Executive Director) (Appointed on 1 August 2018)	1	1

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

i) Audit Committee

The summary of terms of reference of the Audit Committee on functions to be discharged by the Audit Committee is set out as below:

- Review the following and report the same to the Board:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance given by the employees of the Company to the external auditor;
 - (e) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on:
 - (1) changes in or implementation of major accounting policy changes;
 - (2) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed; and
 - (3) compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the Company; and
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment;
- Recommend the nomination of a person or persons as external auditors; and
- Review the Management Discussion & Analysis and report to the Board.

The terms of reference of the Audit Committee is published in the Group's website.

The Audit Committee meets not less than 4 times a year.

ii) Nomination & Remuneration Committee

The terms of reference of the Nomination & Remuneration Committee are as follows:

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the CEO.
- To review and recommend to the Board the overall composition of the Board and the Board Committees based on objective criteria, merit and with due regard of the appropriate size, diversity, required mix of skills, experience, age, cultural background, gender, core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- To assess and recommend the nominees for appointment of Directors, the members of Board Committees, as well as nominees for the position of CEO and Company Secretary.
- To carry out annual assessment on the effectiveness and contribution of the Board as a whole, Board Committees and each director, and performance of the CEO and Company Secretary.
- To assess the Directors, CEO, Company Secretary and Other Key Responsible Persons on an annual basis to ensure that they fulfil fit and proper criteria as stated in the Company's Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary and that they comply with the relevant statutory and regulatory requirements.
- To review the succession plans for the approval of the Board to promote Board renewal and filling in of the vacancies.
- To ensure that all directors undergo the appropriate induction programmes and receive continuous training.
- To deliberate the appointment, succession planning and performance evaluation of CEO, Company Secretary and Other Key Responsible Persons, and recommend to the Board for approval.
- To recommend to the Board on removal of a Director/ CEO/ Company Secretary/ Other Key Responsible Persons if he is ineffective, errant or negligent in discharging his responsibilities.
- To facilitate achievement of Board Diversity Policy.

CORPORATE GOVERNANCE

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- To carry out the annual assessments on the independence of the Independent Directors as per the relevant statutory and regulatory requirements.
- To review the term of office and performance of the Audit Committee and each of its members annually in order to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.
- To review and deliberate on the remunerations for Directors, CEO, Company Secretary and Other Key Responsible Persons to commensurate with their performance and contributions to the Company and recommend to the Board for approval.

The terms of reference of the Nomination & Remuneration Committee is published in the Group's website.

The Nomination & Remuneration Committee had undertaken the following responsibilities in accordance with its terms of reference during the year under review:

- Facilitate annual assessment and review the performance of individual Directors, effectiveness of the Board as a whole and various Board Committees and satisfied that the individual directors, the Board and the various Board Committees have discharged their duties effectively according to the Board Charter and their respective terms of reference.
- Facilitate the Board on the annual review of the overall composition of the Board and Board Committees and satisfied that the Board is optimum and that there is appropriate mix of age, gender, knowledge, skills, attributes and core competencies in the Board's composition.
- Conduct assessment on the Directors who are subject to re-election pursuant to Companies Act, 2016 and recommend to the Board for approval.
- Perform assessment on the Directors, CEO, Other Key Responsible Persons and Company Secretary to ensure that they fulfilled fit and proper requirements as stated in the Policy and Procedure on Fit and Proper.
- Note the annual declaration on fitness and propriety by the Directors and Company Secretary.
- Conduct annual assessment on Independent Directors for recommendation to the Board.
- Assist the Board in assessing the training needs of the Directors and review the trainings attended by the Directors during the year.

- Review the term of office and performance of the Audit Committee and each of its members and recommend to the Board for re-appointment in year 2019.
- Review and recommend the proposed remuneration for the Directors, Key Responsible Persons and Company Secretary to the Board for approval.
- Review and recommend the renewal of employment contracts of CEO/ Executive Director and Other Key Responsible Person.

The Nomination & Remuneration Committee meets as and when required, and at a minimum of once a year.

iii) Investment Committee

- To develop a sound investment policy and strategy that supports the long-term growth objectives of the Company.
- To review and monitor the investment portfolios, policies, guidelines and risk limit of the Company and recommend to the Board the Company's overall investment policy and strategy.
- To review the investment policy and guidelines at least once every three years, or more frequently if determined necessary by the Investment Committee.

The Investment Committee shall meet at least quarterly or more frequently as circumstances require.

iv) Risk Management Committee

- To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.
- To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these risks are operating effectively.
- To ensure adequate infrastructure, resources and systems are in place for effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
- To review the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- To perform any other functions in relation to the risk management as may be agreed by the Risk Management Committee and the Board.

The Risk Management Committee meets at least twice a year.

CORPORATE GOVERNANCE

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V WHISTLEBLOWING POLICY

The Board is committed to maintaining the highest possible standards of ethical and legal conduct within the Group. In line with this commitment and in order to enhance good governance and transparency, a Whistleblowing Policy was adopted with the aim to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.

The policy addresses the following areas:

- ▶ Policy statement
- ▶ Coverage statement
- ▶ Scope of policy
- ▶ Safeguards
- ▶ Disclosure procedure

The policy provides a transparent and confidential avenue for stakeholders to raise issues that include:

- ▶ Financial malpractice or impropriety or fraud;
- ▶ Failure to comply with legal and regulatory obligations;
- ▶ Danger to individual health and safety or to the environment and the cover-up of any of these in the workplace;
- ▶ Negligence, criminal activity, breach of contract and law;
- ▶ Miscarriage of justice;
- ▶ Improper conduct or unethical behaviour; or
- ▶ Concealment of any or a combination of the above.

Confidentiality and anonymity are offered to stakeholders who disclose their concerns in good faith and in doing so, had followed the appropriate disclosure procedures accordingly. In view of the seriousness an allegation can be, the policy sets a clear procedural guide for stakeholders to follow in raising their concerns. This will ensure that issues could be addressed to the appropriate person and proper course of actions could be taken. Concerns that are expressed anonymously although less credible, will not be disregarded either and will be acted on accordingly.

The policy also provides the contact details of the Audit Committee Chairman being the Independent Director and the Group Company Secretary, should stakeholders be in doubt of the Management's independence and objectivity on the concerns raised. Each allegation will be dealt with fairly and equitably. Actions will be taken based on the nature of the allegation and may be resolved by agreed action. The Audit Committee Chairman or the Group Company Secretary may initiate the formation of an Investigation Committee consisting of persons from the Management who are independent of the allegation, where deemed necessary.

The establishment of the Whistleblowing Policy within the Group is a clear signal to the public, stakeholders and regulators about the attitude i.e. "tone at the top" of the Board and Management towards fraud and illegal acts.

MANAGEMENT COMMITTEES

The Board has also established various Management Committees whose functions and terms of reference as well as authority are clearly defined and are set up to assist the Board in the running of the Group.

The Management Committees are as follows:

- Credit Control Committee
- Information Technology Steering Committee
- Systems and Methods Committee
- Business Resumption Continuity Plan Committee
- Corporate Social Responsibility Committee
- Occupational Safety and Health Committee
- Reinsurance Security Committee
- Business Process Management Steering Committee
- Sustainability Committee
- Group Human Resource Committee

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

The terms of reference and frequency of meetings for the Management Committees are as follows:

i) Credit Control Committee

- To maximise the conversion of accounts receivables into cash flow and minimise bad debts written off whenever possible.
- To ensure timely collection of outstanding debts, identify problems (e.g. short payment, cancellation, unidentified items) and resolve them in a timely manner.

The Credit Control Committee meets monthly.

ii) Information Technology Steering Committee

- Ensure the establishment of effective computerisation plans for the Group in line with the overall corporate strategic plan and business objectives.
- Overall control of the implementation of the plans by monitoring and reviewing its performance and progress.
- Setting budgets within which computerisation objectives should be achieved and authorising any expenditure above pre-defined limits.
- To establish objectives, policies and strategies for computerisation in the Group.
- To develop long-term strategic plans for computerisation of the Group.
- To establish a detailed annual Information Technology ("IT") Plan.
- To establish standards for:
 - Hardware/ Software Acquisition;
 - Systems Development Lifecycle and Programme Change Operations; and
 - Computer Security.
- To consider software, hardware acquisitions and all items related to computerisation.
- To monitor and review progress of ongoing projects and the performance monitoring will be geared to the strategic plans, action plans and budgets.
- To review and approve new IT Project proposals.

The Information Technology Steering Committee holds a minimum of 4 meetings a year.

iii) Systems and Methods Committee

- To review and furnish recommendations for streamlining of workflow and improving efficiency and increasing e-enablement of processes and procedures that involves e-system enhancement resulting in reduced costs and improved efficiency.

The Systems and Methods Committee meets 6 times a year.

iv) Business Resumption Continuity Plan ("BRCP") Committee

- To prepare a BRCP to ensure that the Group suffers no material interruption to its systems, processes or operations, upon the occurrence of disruptive events.

The BRCP Committee meets as and when required.

v) Corporate Social Responsibility ("CSR") Committee

- To carry out Corporate Responsibility ("CR") activities in line with the CR Vision.

The CSR Committee meets at least twice a year.

vi) Occupational Safety and Health ("OSH") Committee

- To review the measures taken to ensure the safety and health of persons at the place of work.
- To investigate any matter at the place of work:
 - which a member of the OSH Committee or a person employed thereat considers as not safe or is a risk to health; and
 - which has been brought to the attention of the employer.
- Attempts to resolve any matter referred to in the above investigation, and if unable to do so, requests the Management to undertake an inspection of the place of work for that purpose.

The OSH Committee meets quarterly.

vii) Reinsurance Security Committee

- To review the financial strength security of the reinsurer.
- To establish Lonpac's Approved Panel of Reinsurers.

The Reinsurance Security Committee meets at least twice a year.

viii) Business Process Management ("BPM") Steering Committee

- To leverage on emerging technology to develop a flexible, agile and robust business model to prepare for future changes and eventual market liberalisation.
- To streamline business processes for improved visibility and efficiency in workflow processes/ operations.
- To ensure the provision of speedy, quality and consistent services.

The BPM Steering Committee meets as and when required.

CORPORATE GOVERNANCE

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ix) **Sustainability Committee**

- Developing the sustainability vision, strategy and linkage to long-term business strategies.
- Advising the Board on strategies in the area of sustainability and seeking Board endorsement on sustainability matters.
- Identifying sustainability risks and opportunities.
- Originating policy and initiatives to manage sustainability risks and opportunities.
- Overseeing the implementation of policies and initiatives including setting targets and Key Performance Indexes for initiatives, assessing effectiveness etc.
- Identifying and implementing the stakeholder engagement process.

The Sustainability Committee meets at least twice a year.

x) **Group Human Resource Committee**

- Formulates human resource policies and practices for the Group.
- Deliberates and decides on human resource operational issues which do not fall within the ambit of authorised individual personnel.

The Group Human Resource Committee meets once every quarterly.

MCCG PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I FINANCIAL REPORTING

The Board recognises the responsibility in ensuring that accounting records are properly kept and that the financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016, the FSA and the directives from BNM.

Early announcements on the quarterly results and issuance of annual report to Bursa Securities reflect the Board's commitment to provide timely, transparent and up-to-date assessments on the Group's performance and prospects.

The Board, assisted by the Audit Committee, oversees the financial reporting processes and the quality of the financial reporting by the LPI Group. The Audit Committee reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The Audit Committee also assists the Board in reviewing the appropriateness of the accounting policies applied by the Group as well as the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of LPI and LPI Group is presented on page 146.

II INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a system of internal controls that provides reasonable assurance to the relevant stakeholders of the ability of the Group to maintain operational effectiveness and efficiency, to ensure reliability of financial reporting, compliance with applicable laws and regulations as well as the adherence with internal procedures and guidelines.

The Group has established a system of internal controls, which cover all levels of personnel and business processes, to safeguard the Group's assets and shareholders' interests. Given the nature, size and complexity of the Group's business operations, the Group is required to accept and manage varying levels of operational, financial, business, compliance or other insurance risks, which may give rise to unanticipated or unavoidable losses. LPI Group's systems of internal controls are designed to provide reasonable but not absolute assurance against the risk of significant adverse event which may affect the operations or financial stability of the Group.

During the year, the Risk Management Committee ensures that there exist a sound control environment within the Group with clear identification of responsibilities for managing and controlling risks assigned respectively to relevant business units, the risk management and internal control functions. The effectiveness of the system of internal controls of the Group is reviewed regularly by the Audit Committee. The review covers the financial, operational and compliance controls as well as the effectiveness of the risk management functions. The Internal Audit Department ("IAD") checks for compliance with policies and standards and the effectiveness of internal control structures across the LPI Group.

The Statement on Risk Management and Internal Control furnished on pages 125 to 129 of this Annual Report provides an overview of the state of internal controls within the Group.

CORPORATE GOVERNANCE

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III AUDIT COMMITTEE

The Group's financial reporting and internal control system is reviewed by the Audit Committee, which comprises 5 non-executive directors of whom 4 are independent directors.

The composition, attendance of meetings and summary of the activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report on pages 130 to 133 of this Annual Report. The activities of the Audit Committee are governed by the terms of reference that is approved by the Board.

The Audit Committee meets no fewer than 4 times a year. During the financial year ended 31 December 2018, a total of 4 Audit Committee meetings were held.

The Audit Committee meeting is always held before the Board's meeting. This is to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely basis. The minutes of the Audit Committee meetings are tabled at the Board for noting and for action by the Board where appropriate.

The relevant heads of department in Head Office are invited to attend the Audit Committee meetings when deemed necessary by the Audit Committee for the purpose of briefing the Audit Committee on the activities involving their areas of responsibilities.

The activities carried out by the Audit Committee during the year are set out in the Audit Committee Report on pages 131 to 133 of this Annual Report.

IV RELATED PARTY TRANSACTIONS

The IAD reviews the nature of related party transactions within the Group to ascertain any conflict of interest situations that would raise questions on management integrity. The results of this annual review is tabled at the Audit Committee meeting and thereafter reported to the Board.

Details of these related party transactions are disclosed in the Notes to the Financial Statements on pages 266 to 268 of this Annual Report.

V RELATIONSHIP WITH EXTERNAL AUDITORS

The Audit Committee meets with the Group's external auditors to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The Audit Committee also meets with the external auditors without the presence of any executive Board Members and management staff annually and upon request of the external auditors. In addition, the external auditors are invited to attend the AGM of LPI and are available to answer shareholders' questions relating to conduct of the statutory audit and the preparation and contents of their audit report.

The services provided by the external auditors include statutory audits and non-audit services. The terms of engagement for the services rendered by the external auditors are reviewed by the Audit Committee and approved by the Board. The Audit Committee also reviews and approves the proposed fees for non-audit services by the external auditors. In their review, the Audit Committee ensures that the independence and

objectivity of the external auditors are not compromised. The Audit Committee's annual assessment to review and monitor the suitability and independence of the external auditors is guided by a Framework on the Appointment/ Re-appointment of External Auditors ("Framework") approved by the Board.

During the financial year under review, the Board, having considered the recommendation by the Audit Committee, was satisfied that the external auditors have met the criteria as set out in the Framework and agreed that the re-appointment of the external auditors for the year 2018 be recommended to the shareholders for approval at the AGM.

The details of the statutory audit, audit-related and non-audit fees paid/ payable in 2018 to the external auditors and their affiliates are set out on page 288 of this Annual Report.

VI INTERNAL AUDIT

The Group has an established IAD which assists the Audit Committee in the discharge of its duties and responsibilities. There are 21 internal auditors with relevant qualifications and experience in the IAD. The role of IAD is to provide independent and objective reports on the organisation's management, records, accounting policies and controls to the Board. The internal auditors are free from any relationships or conflict of interest or undue influence of others to override professional and business judgment, which could impair their objectivity and independence. The independence of the internal audit function is derived from its direct reporting and unencumbered access to the Audit Committee.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

The Chief Internal Auditor (“CIA”) reports directly and functionally to the Audit Committee and ultimately to the Board, and administratively to the Chief Executive Officer of the Company. The CIA, Ms. Irene Hwang Siew Ling, is a holder of a Bachelor’s Degree with Honours in Accounting from the University of Malaya. She is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. She is also a Chartered Member of The Institute of Internal Auditors Malaysia.

The internal audits include evaluation of the processes where significant risks are identified, assessed and managed. Such audits also ensure that instituted controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group’s Risk Management and Internal Control Framework.

The internal audit function is governed by an Internal Audit Charter that was approved by the Board. The charter sets the objectives, authority and scopes of the internal audit function, which are in line with the Guidelines on Internal Audit Function of Licensed Institutions issued by BNM. During the year, the internal audit function was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing.

The CIA is subject to the assessments by the Audit Committee for his/ her appointment, remuneration, performance evaluation, removal and redeployment. Such assessment is to be noted by the Board.

A statement on Internal Audit Function is presented in the Audit Committee Report on pages 133 to 134 of this Annual Report.

MCCG PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS

I EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

Transparency and accountability to all stakeholders are the key elements of good corporate governance. The fundamental objectives of transparency and accountability are the communication of clear, relevant and comprehensive information that is timely and readily accessible by all stakeholders. In fulfilling its corporate governance obligations, LPI Group maintains a high level of disclosure and extensive communication with its stakeholders by providing clear, comprehensive and timely information through a number of readily accessible channels. The provision of timely information is principally important to the shareholders and investors for informed investment decision making particularly in periods of financial turbulence and extreme volatility in the marketplace.

LPI’s Annual Report remains a key channel of communication with the Group’s stakeholders. The contents of the annual report of LPI met Bursa Securities’ Main Market LR and other regulatory requirements of annual reports. The extensive information contents and disclosure requirements of Bursa Securities governing listed companies’ quarterly results announcements had also enhanced the transparency level of LPI Group.

The Group also provides an executive summary of its annual report, highlighting key financial and corporate information as well as the analysis of the statements of financial position and profit or loss, in order to facilitate shareholders’ easy access to such key information. LPI Group disseminates its annual report to its shareholders either in hard copy or in CD ROM media. The same information is also made available to the shareholders electronically as soon as the information is announced or published.

Another important avenue for communication and dialogue with the shareholders is the Company’s AGM, which is always held in Kuala Lumpur city centre and not in a remote location. All shareholders are encouraged to attend the Company’s AGM and to participate in the proceedings. Shareholders are given both the opportunity and time to raise questions and seek clarification on the agenda items and on the performance of the Company and Group. The Directors, including CEO/ Executive Director are responsible for providing clarification on issues raised by the shareholders at the Company’s general meetings and they avail themselves to clarify matters or enquiries from shareholders. Shareholders’ suggestions received during AGMs are reviewed and considered for implementation, wherever possible.

The Notice of 57th AGM to shareholders was dated 26 February 2018, which was 28 days’ notice for holding the Company’s 57th AGM on 27 March 2018. Shareholders were given sufficient notice period to review the Group’s financial results and evaluate the resolutions tabled at general meeting.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

At the AGM, the CEO/ Executive Director of LPI Group presents a brief review of the financial performance of the LPI Group. The turnout of shareholders at LPI's AGM has always been good, a clear indication of the extensive engagement with the shareholders.

Pursuant to Paragraph 8.29A(1) of the Main Market LR of Bursa Securities, all the resolutions set out in the Notice of Meetings will be put to vote by poll. The electronic polling processes are managed by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator and independent scrutineers are appointed to verify and validate the results of the poll at the AGM.

LPI makes announcements of its quarterly group financial results to Bursa Securities and issues press releases of its quarterly results announcements. The press release is intended not only to promote the dissemination of the financial results of LPI Group to a wide audience of investors and shareholders but also to keep the investing public and shareholders updated on the Group's business progress and development.

In order to maintain high level of transparency and to promote wider dissemination of corporate and financial disclosures, all information that is made public, such as LPI's Annual Reports, the quarterly financial results announcements of LPI Group, summaries of key matters discussed at AGM and other corporate information are available on the Group's website, www.lpicapital.com.

Prompt and timely dissemination of information is important for shareholders and investors to make informed investment decisions. Outdated information, although accurate and comprehensive, is less useful for such investment purposes. In this view, LPI Group places high priority in making available and disseminating information as early as possible. The releases of periodic financial information such as LPI's Annual Report and the Group's quarterly financial results are generally earliest amongst large listed companies and are always well ahead of the deadlines specified in Bursa Securities' Main Market LR, as reflected in the following tables:

Release of Annual Report

	Date of Issue	No. of Days After End of Year	Deadline Imposed by Bursa Securities
Annual Report 2016	27 February 2017	58	30 April 2017
Annual Report 2017	26 February 2018	57	30 April 2018
Annual Report 2018	26 February 2019	57	30 April 2019

Release of 2018 Quarterly Results

	Date of Issue	No. of Days After End of Quarter	Deadline Imposed by Bursa Securities
1 st Quarter	26 April 2018	26	31 May 2018
2 nd Quarter	9 July 2018	9	31 August 2018
3 rd Quarter	10 October 2018	10	30 November 2018
4 th Quarter	29 January 2019	29	28 February 2019

The Group has consistently managed to achieve such early issuance of its annual reports and releases of the quarterly financial results despite the regulatory requirements, which are needed to be complied with, including a significantly higher level of disclosure of financial information. The prompt and timely availability of information clearly enhances its value to the shareholders and investors and reflects the high standard of transparency within the Group.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

II INVESTOR RELATIONS

LPI Group's investor relations activities serve as an important communication channel with the shareholders, investors and the investment community, both in Malaysia and internationally.

The Group's investor relations function is undertaken by the very senior level of Management personnel, reflecting the commitment of the Group to maintain strong investor relations as well as to provide appropriate and substantive views and information on the Group to investors and equity research analysts.

Investor Relations Activities in 2018

	Total
Meeting with analysts/ fund managers	13
Tele-conference/ interview	3

Investor relations activities such as meetings with fund managers and analysts are attended by the following designated Management to explain the Group's strategy, performance and major developments:

Primary Contacts for Investor Relations Matters

Tan Kok Guan

Chief Executive Officer/
Executive Director,
LPI Capital Bhd

Contact Details

Tel no.: (03) 2262 8633
Email: kgtan@lonpac.com

Looi Kong Meng

Chief Executive Officer/
Executive Director,
Lonpac Insurance Bhd

Contact Details

Tel no.: (03) 2262 8620
Email: kmlooi@lonpac.com

The efforts and resources allocated to the investor relations function reflect LPI Group's commitment to achieve a high standard of communication with, and a high level of transparency to its shareholders and the investment community.

Information on the Group's investor relations matters and the primary contacts are also available for the shareholders' and other stakeholders' view in the website at www.lpicapital.com.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 15 January 2019.

A copy of the Corporate Governance Report on disclosure on application of each practice in MCGG, can be downloaded in the Company's website, Corporate Governance Section, at www.lpicapital.com.

ENTERPRISE RISK MANAGEMENT



Enterprise risk management is the holistic and structured process, effected top-down, from the board of directors to the management and the employees, across the enterprise, that addresses the uncertainties surrounding potential events that may affect the enterprise by identifying these events and determining appropriate control and monitoring measures. ”

OVERVIEW

Enterprise risk management is the holistic and structured process, effected top-down, from the board of directors to the management and the employees, across the enterprise, that addresses the uncertainties surrounding potential events that may affect the enterprise by identifying these events and determining appropriate control and monitoring measures. Enterprise risk management aims to align the processes, people, and technology to manage the organisation’s risks in accordance to its risk appetite and tolerance, so that the organisation’s values to its stakeholders are sustainable.

Enterprise risk management is an enhancement of the existing risk management practices that include the following key elements:

- Risk management is applied consistently across the whole enterprise;
- Risk management and measurement is integrated into the business processes; and
- Presence of a central risk function.

Enterprise risk management aims to minimise the unpleasant surprises while enabling a speedier response to secure good opportunities, and the efficient use of capital. The control measures such as timely reporting and transparency of risks across the organisation, increase the effectiveness of the Group’s operation, and align the Group’s risk appetite and tolerance more effectively.

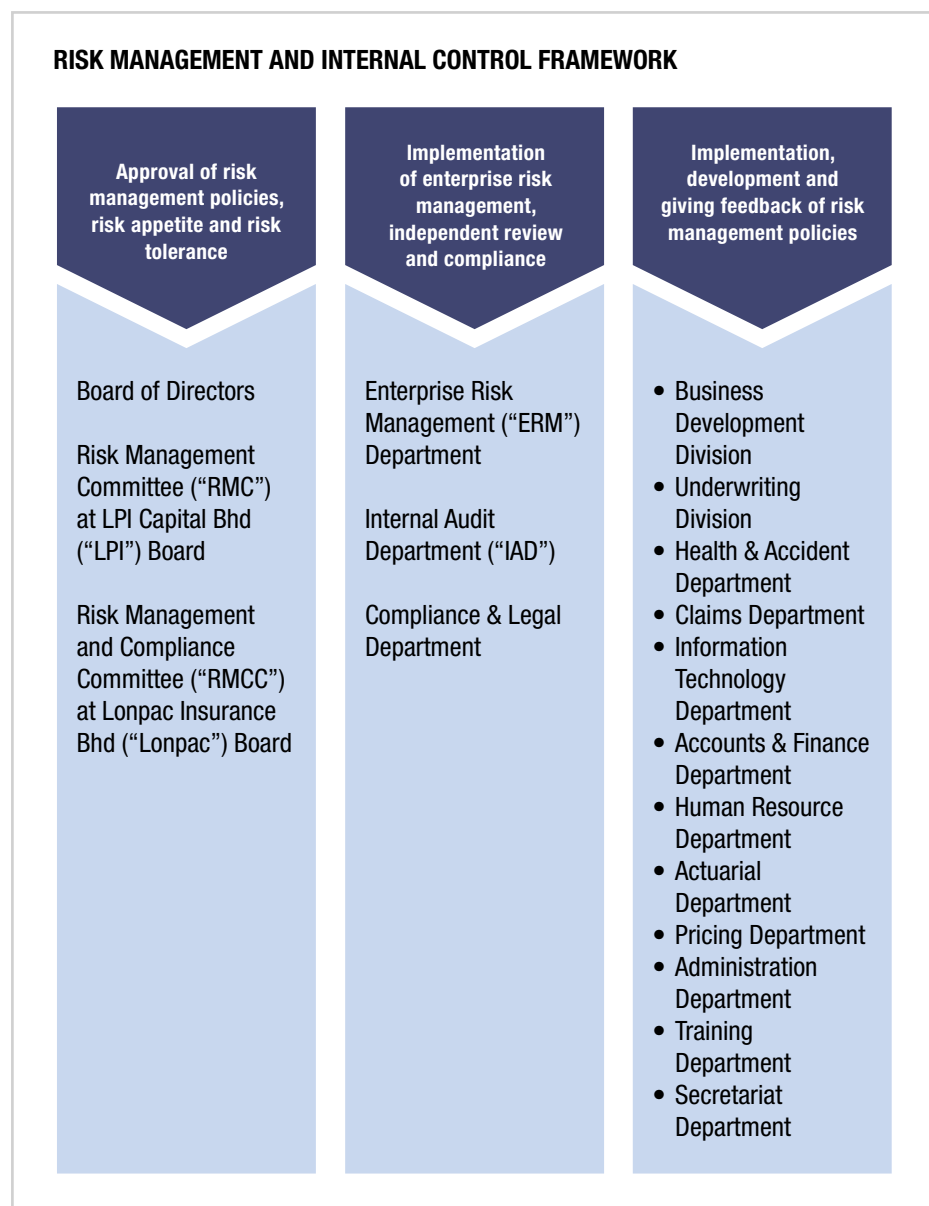
The recognition of the importance of enterprise risk management has been growing steadily over the years. Various stakeholders, such as the regulators and rating agencies, are becoming more interested in a company’s risk management practices. The introduction and implementation of Bank Negara Malaysia (“BNM”)’s Guidelines on Internal Capital Adequacy Assessment Process (“ICAAP”) for Insurers highlights the importance of the role of the board of directors and management, in the assessment of a company’s risk profile and the quality of risk management. In Singapore, an insurer shall perform its own risk and solvency assessment (“ORSA”), to assess the adequacy of its risk management. It is paramount that sound capital management is put in place and stress tests are performed and monitored regularly.

The Board of Directors (“Board”) recognises the importance of an effective enterprise risk management in order to achieve a sustainable growth in profitability and strong asset quality that in turn will optimise the Group’s value to its shareholders. The Board, with the assistance of the Management, has set out the overall approach of the Group’s risk management activities.

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The risk management infrastructure of the Group sets out clear accountabilities and responsibilities for the risk management process which underlines the principal risk management and control responsibilities:



The RMC and RMCC were established by the LPI and Lonpac Board respectively with the responsibility to oversee the overall risks which includes inter-alia reviewing and approving risk management processes, reviewing risk exposure and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for risk management activities for identifying, measuring, monitoring and controlling risks.

The RMC and RMCC are supported by the ERM Department, IAD and Compliance & Legal Department. ERM Department identifies and communicates the critical risks (present and potential) in terms of likelihood of exposures and impact on the Group's business to the RMC and RMCC, on a continuing basis.

The IAD performs independent audits and assessments of the adequacy and reliability of the risk management processes and system. The Compliance & Legal Department ensures the Group is in compliance with laws and regulatory guidelines at all times.

The individual departments are responsible for identifying, mitigating and managing risks within their lines of business and ensuring that their day-to-day business activities are carried out in accordance with established risk policies, procedures and limits.

The risk management policies are subject to periodical reviews to ensure that they remain relevant and effective in managing the associated risks due to changes in the marketplace and regulatory environments.

The Group Risk Management and Internal Control Framework sets out the governing principles for the enterprise risk management and internal control activities of the Group.

The Board is responsible for oversight over the Group's Risk Management and Internal Control Framework, risk appetite/ risk tolerance, capital management framework and risk management policies.

ENTERPRISE RISK MANAGEMENT

RISK ASSESSMENT

The Group has established a structured approach within its risk management and internal control framework which is used to conduct a comprehensive risk assessment of every individual risk identified, with its own unique set of characteristics and operational implications.

The Risk Matrix is shown as below:

Risk Impact	High	Medium Priority	High Priority	High Priority	
		Medium	Low Priority	Medium Priority	High Priority
			Low	Low Priority	Low Priority
				Low	Medium
		Risk Likelihood			
		High Priority - Major Focus	Medium Priority - Moderate Focus	Low Priority - Peripheral Focus	

The Risk Matrix was utilised to depict the impact and the likelihood of each individual risk as it gives a simple visual summary of the materiality of the risks being analysed. The Risk Matrix helps the Group to determine how best to utilise its resources efficiently to manage its risks on an enterprise level.

The risks that fall under the top right corner of the matrix should be given high priority, that is the Group should direct a significant proportion of its resources to manage these risks. The risks that fall along the diagonal line from top left corner to bottom right corner are considered as medium priority and are managed accordingly. The risks at the bottom left corner are considered as low priority risks but are still monitored with a peripheral focus.

The Group's risk management processes are reviewed and assessed regularly by the IAD. The reviews include an assessment of the effectiveness of the control activities undertaken by the individual departments, the effectiveness of management oversight and whether the internal control activities and processes remains comprehensive, robust and have been implemented as intended.

RISK APPETITE AND RISK TOLERANCE

The 2 main conventional sources of income for the Group are its insurance business, which is the core business activity of the Group, while the second source is its investment activities.

The Group places strong emphasis on prudent and profitable underwriting practices in order to achieve a sustainable business. Regular reviews of claims trends and underwriting guidelines

are performed to identify good risks. The Group has capped the proportion of certain lines of business over its total portfolio in line with its risk tolerance for overall exposures. The Group has also capped the proportion of Refer Risks over business portfolio to maintain a healthy block of risks.

The investment objective is to prudently maximise the returns on the resources available within the confines of the regulatory requirements. The Group aims to provide a steady stream of income and liquidity while maintaining capital stability by having a balanced book of investments, and paying attention particularly to the relevant risk charges. The Group has capped the proportion of investment in certain categories of assets to avoid unnecessary high risk charges. The Group has also capped the proportion of fixed income investment with lower ratings to ensure a healthy portfolio of investments.

The Group strives to ensure that its reinsurers are financially resilient in order to perform their contractual obligations in a timely manner. The treaty reinsurers are required to maintain a minimum financial strength rating and are assessed annually. The proportion of exposure to reinsurers with lower ratings over total reinsurance exposure is capped to minimise the credit risk.

The Group aspires to maximise the conversion of accounts receivables into cash flow and to minimise the writing off of impaired debts. The Credit Control Committee meets monthly to identify any weak and delinquent accounts for early action, if required.

The Group seeks to hold sufficient provisions for insurance liabilities by reserving for them at the 75% confidence level.

ENTERPRISE RISK MANAGEMENT

RISK PROFILE

The key areas of risks of the Group are set out below:

Support Departments

- Underwriting
- Claims
- Accounts & Finance
- Human Resource
- Information Technology
- Compliance & Legal Department
- Actuarial
- Pricing
- Health & Accident
- Administration
- Training
- Secretariat

FINANCIAL RISKS

Risk of financial losses caused by credit risks, market risks, interest rate risks, foreign currency risks or liquidity risks.

Risk Management Approaches:

- Diversification of counterparty exposure to avoid concentration risk ensured together with control and monitoring measures.
- Credit control policies and procedures carried out by Credit Control Unit.
- Investment guidelines to describe the threshold for each type of investments.
- Independent assessment on financial security of the counterparties before entering into an agreement.
- Ensuring sufficient liquidity is maintained so that sufficient funding is available to meet its insurance contract and other obligations.

STRATEGIC RISKS

Risk of financial losses arising from underlying strategies that turns out to be a poor business strategy decision.

Risk Management Approaches:

- Product Development Committees are established to oversee the design and implementation of new products.
- Comprehensive research is performed before the launch of new products with frequent monitoring of new business production profit performance.
- Annual review of reinsurance arrangements and the close monitoring of the financial security of the panel of reinsurers.
- The Information Technology Steering Committee ensures the effective planning and direction of IT plans and projects.
- Digital Strategy department was established to diversify the distribution channel and enhance the Group's customer service.
- The Investment team executes Group's investment objectives, which aims to maximise returns consistent within prudent level of risks.

INSURANCE RISKS

Risk of financial losses arising from higher than expected claims amount and the inadequacy of insurance liabilities reserves.

Risk Management Approaches:

- Peer reviews and ongoing discussion of Group's specific trends, changes in business environment and claims processes.
- Annual independent review of product pricing.
- Annual review of underwriting guidelines.
- Regular monitoring of claims experience.

Business Development Departments

- Agency
- Financial Institution
- Broking
- Global Partnership
- Trade Credit
- Digital Strategy
- Reinsurance
- Customer Service
- Branches Strategic Performance
- Branches

OPERATIONAL RISKS

Risk of financial losses arising from inadequate/ failed internal processes, people, system or unexpected external events.

Risk Management Approaches:

- Periodical reviews and monitoring of internal processes are performed to ensure viability and appropriateness with respect to the changing operating environment.
- Structured guidelines, access rights, training and organisation of work with random checks and reviews help control the risks of human errors.
- Regular back-ups, software/ hardware acquisition policies and benchmark tests are utilised to ensure the quality of internal systems.
- The external operating environment is monitored closely and the Business Resumption Continuity Plan is reviewed periodically.

LEGAL AND COMPLIANCE RISKS

Risk of financial losses arising from a breach in the applicable laws and regulations and from the damage to the Group's reputation.

Risk Management Approaches:

- The various Head of Departments and relevant authorities are promptly notified of any latest published circulars and guidelines. Regular and random checks are performed to ensure compliance to legal standards.

STRESS TESTING

The LPI Group recognises the importance of stress testing as a risk management tool to identify potential threats due to exceptional but adverse plausible events. The Board and Management also view the stress testing exercise as an effective risk management tool and have embedded stress testing as part of the Group's risk management processes.

The stress testing process has been designed to suit the Group's business environment and risk profile, and is commensurate with the nature, complexity and sophistication of its business activities. Adverse scenarios are incorporated into the stress testing exercise and will be continually reviewed with the changing business environment. The stress testing process helps determine the extent by which capital may be eroded from exceptional but adverse plausible events.

The Board and Management participate actively in providing feedback and participating in the discussion on the methodology, assumptions and results of each stress testing exercise.

CAPITAL MANAGEMENT PLAN

The Capital Management Plan ("CMP") sets out thresholds that act as triggers for action. The corrective action for each threshold are stated and take into account how adverse scenarios are likely to affect the Group's risk management activities. The intensity of corrective action increases with the extent of which threshold level is breached. This ensures that an appropriate level of capital is maintained at all times.

The objective of the CMP is to optimise the efficient and effective use of resources and capital in order to maximise the return on equity and provides an appropriate level of capital to protect the policyholders. The management of the Group's capital is guided by the CMP which is driven by the Group's business strategies and takes into account the business and regulatory environment in which the Group operates in.

ETHICS, INTEGRITY AND TRUST



LPI Capital Bhd (“LPI”) via its wholly-owned subsidiary, Lonpac Insurance Bhd (“Lonpac”), operates in an industry where integrity and trust are of utmost importance. The trust and confidence that customers and the public have in Lonpac are vital to the continued growth and success of the Group. ”

LPI Capital Bhd (“LPI”) via its wholly-owned subsidiary, Lonpac Insurance Bhd (“Lonpac”), operates in an industry where integrity and trust are of utmost importance. The trust and confidence that customers and the public have in Lonpac are vital to the continued growth and success of the Group. The Group actively strives with enthusiasm to conduct itself with integrity and trustworthiness to develop such trust and confidence in the Group. Measures to safeguard the Group’s integrity and credibility are undertaken to minimise the exposure to reputational risk arising from unethical or fraudulent conduct by the Group’s employees.

The Group recognises that employees play an important role in building a trusted and reputable enterprise in the eyes of the public. The Group has taken, and continues to take proactive initiatives to ensure that employees have shared values and principles, and conduct themselves to the standards that are consistent with the expectations of the customers and the public.

The acceptable conduct expected of employees of the Group is formalised in clearly written codes and policies. This is a critical part of building a culture of trust and integrity in employee conduct and behaviour. Included amongst such codes and policies are the following:

1. POLICY AND PROCEDURE ON FIT AND PROPER FOR KEY RESPONSIBLE PERSONS AND COMPANY SECRETARY

LPI Group has established Policy and Procedure on Fit and Proper for Key Responsible Persons and Company Secretary, which aimed to ensure that the key positions in LPI Group are led by personnel who fulfil the following criteria:

Probity, Personal Integrity and Reputation – possesses the personal qualities such as honesty, integrity, diligence, independence of mind and fairness;

Competence and Capability – have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position to carry out his work; and

Financial Integrity – able to manage his own financial affairs properly and prudently.

2. CODE OF ETHICS

It is the duty of every LPI Group employee to uphold and abide by high standard of professionalism and ethics. The principles set out by the Financial Services Professional Board’s Code of Ethics resemble the values that LPI Group stands for. The Group, therefore adopts these five core ethical principles as its own, which also forms the basis for the Group’s Code of Conduct.

a. Competence

All employees shall develop and maintain the relevant knowledge, skills and behaviour to ensure that their activities are conducted professionally and proficiently. This includes acting with diligence, as well as obtaining and regularly updating the appropriate qualifications, training, expertise and practical experience.

b. Integrity

The Group and all employees shall be honest and open in all their dealings. This includes behaving in an accountable and trustworthy manner, and avoiding any acts that might damage the reputation of, or bring discredit to the Group or the industry at any time.

c. Fairness

The Group and all employees shall act responsibly and embrace a culture of fairness and transparency. This includes treating those with whom they have professional relationships with respect and ensuring that they consider the impact of their decisions and actions towards all stakeholders.

d. Confidentiality

The Group and all employees shall protect the confidentiality and sensitivity of information provided to them. This includes using it for its intended purposes only and not divulging to any unauthorised persons, including third parties, without the necessary consent from those involved unless disclosure is required by law or regulation.

e. Objectivity

The Group and all employees shall not allow any conflict of interest, bias or undue influence of others to override their business and professional judgement. They shall declare to those concerned, all matters that could impair their objectivity.

3. ANTI-FRAUD POLICY

The Group's General Conduct Policies provide guidance on the specific issues in order for the Group to operate in an orderly manner and to create a fair working environment for all employees. Included in its General Conduct Policies is the Group's Anti-Fraud Policy which spells out that employees are responsible in preventing and detecting defalcations, misappropriations and other irregularities. Employees are expected to be familiar with the types of improprieties that might occur within their areas of responsibility and be alert to any indication of irregularity. In addition, the Anti-Fraud Policy sets out fraud discovery reporting procedures and warns employees on the disciplinary actions against fraudulent acts.

4. ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM POLICY

Lonpac remains committed to fulfilling its regulatory obligations. Lonpac undertakes so far as is reasonably possible and practicable to safeguard itself from individuals and entities listed under applicable laws and regulations such as the orders issued by the Minister of Home Affairs pursuant to powers conferred under Section 66B and Section 66C of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. If a transaction relates to any designated individual or entity, Lonpac will block or reject the transaction and report to the relevant authorities.

Persatuan Insurans Am Malaysia ("PIAM") registered agents who represent Lonpac are bound by written agreement with the Company to abide by a code of conduct known as the PIAM General Insurance Business Code of Practice for All Intermediaries Other than Registered Insurance Brokers ("Code"). The Code stipulates minimum standards on the sale, advisory and service conducted by insurance agents.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



The Board of Directors (“Board”) recognises the importance of a sound risk management and internal control framework to safeguard shareholders’ investment and assets of LPI Capital Bhd (“LPI”) and its wholly-owned subsidiary, Lonpac Insurance Bhd (“Lonpac”).



The Board of Directors (“Board”) recognises the importance of a sound risk management and internal control framework to safeguard shareholders’ investment and assets of LPI Capital Bhd (“LPI”) and its wholly-owned subsidiary, Lonpac Insurance Bhd (“Lonpac”).

The Board’s Statement on Risk Management and Internal Control outlines the nature and scope of risk management and internal control of the Group during the year.

Board Responsibilities

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group’s risk management and internal control framework. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures. In view of the limitations that are inherent in any system of internal controls, the Board ensures that the risk management and internal control framework is designed to manage the Group’s key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group.

The Board continually reviews the framework in ensuring that this risk management and internal control framework provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Following the publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Risk Management and Internal Control Guidelines”), the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process which includes enhancing the risk management and internal control framework when there are changes in the business environment or regulatory guidelines, is reviewed by the Board and is guided by the Risk Management and Internal Control Guidelines.

The Board is assisted by the Management in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The Management has given assurance to the Board that the Group’s risk management and internal control framework is operating adequately and effectively, in all material aspects, based on the Group’s risk management and internal control framework.

The Board is of the view that the risk management and internal control framework in place for the year under review and up to the date of the issuance of the financial statements is adequate and effective to safeguard the shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

Key Risk Management and Internal Control Processes

The key processes that have been established in reviewing the adequacy and effectiveness of the risk management and internal control framework include the following:

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Risk Management and Internal Control Framework

- The Risk Management Committee (“RMC”) and Risk Management and Compliance Committee (“RMCC”) were established by the LPI and Lonpac Board respectively with the responsibility to oversee the overall risk management processes by identifying principal business risks and ensuring appropriate implementation of systems to manage these risks.
- The LPI Group Risk Management and Internal Control Framework sets out the governing principles for the enterprise risk management and internal control activities of the Group. The objective of the framework is to provide a comprehensive, systematic, disciplined and proactive process, effected top-down from the Board to the Management and the employees across the Group, conforming to the requirements, principles and best practices established by Bank Negara Malaysia and the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia. The framework involves a continual process of identifying, assessing, managing and reporting on the significant strategic, business and process level risks related to the achievement of the Group’s business objective, and to maintain an effective internal control environment within the Group. The effectiveness of the framework is assessed at least annually which includes a review of all significant risks by respective risk owners and to assess the overall risk environment of the Group.
- The Enterprise Risk Management (“ERM”) Department identifies and communicates to the RMCC on critical risks (present and potential) in terms of likelihood of exposures and impact on the Group’s business and the management action plans to manage these risks on a continuing basis. Various heads of department, who are specialised and experienced in their respective business processes remain available to give advice to the ERM Department on the key risks relevant to their respective operations. The Internal Audit Department (“IAD”) and Compliance & Legal Department also provide their advice to the ERM Department pertaining to controls and compliance concerns on various risk factors and implementation of risks mitigation measures. The ERM Department actively identifies, assesses and monitors the Group’s key business risks.
- Risk Reports were compiled to define a set of risk appetite and risk tolerance approved by the Board complied with the Guidelines on Internal Capital Adequacy Assessment Process (“ICAAP”) for Insurers issued by Bank Negara Malaysia (“BNM”).

Internal Audit Function

- The Internal Audit function is in place to assist the Audit Committee of the Group to discharge its functions effectively. The IAD monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on Head Office departments and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these Head Office departments and branches. The findings of the internal audits are tabled at the Audit Committee meetings for deliberation and the Audit Committee’s expectation on the corrective measures will be communicated to the respective head of departments and branches. The annual Internal Audit Plan is reviewed and approved by the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

- The Audit Committee of the Group reviews any internal control issues identified by the IAD, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit function and quality of internal audits. The minutes of the Audit Committee meetings are tabled to the Board. Further details of the activities undertaken by the Audit Committee of the Group are set out in the Audit Committee Report.

Other Key Elements of Risk Management and Internal Control

- There is an organisational structure with formally defined lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.
- Operating policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the form of circulars to line management in all departments and updated as and when there are changes.
- There are operational authority limits imposed on Chief Executive Officer and other key management personnel within the Group in respect of day-to-day operations, covering underwriting on accepting risks, claims settlement, investments, acquisition and disposal of assets.
- The treaty reinsurance programme ensures that there is a proper spread of reinsurers. The securities of treaty reinsurers are reviewed on an annual basis by the Reinsurance Security Committee ("RSC") and the RMCC.
- The Management submits annually a business plan and budget with 3 year projections for approval by the Board. The Board reviews monthly management accounts, which are measured against budgets and the previous year's results to gauge performance.
- Stress tests are performed annually on Lonpac's financial position which commensurate with its risk profile and the business environment. The stress tests are used as a risk management tool to identify potential threats to Lonpac's financial health due to exceptional but plausible adverse events and to determine Lonpac's Individual Target Capital Level. The results in the stress test report are deliberated at the RMCC meetings and thereafter recommended to the Board for approval, before submission to BNM and the Monetary Authority of Singapore for the Singapore branch.
- The IAD reviews the stress test policy to provide an independent assessment in ensuring the quality and effectiveness of the stress test policy as required by BNM. The internal audit report on the review of the stress test policy is presented at the Audit Committee meeting.
- The Group's quarterly financial reports are released to Bursa Malaysia Securities Berhad after being reviewed by the Audit Committee and approved by the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Risk Management and Internal Control

- Management meetings chaired by the Chief Executive Officer of Lonpac are conducted monthly to review financial performance, business development and to deliberate on management and corporate issues.
- The maintenance of adequate data quality is carried out and internal controls, either in the systems or manually performed will be incorporated to further improve the data quality. The assessment of data accuracy is carried out on a yearly basis by the ERM department and the assessment report will be tabled at the RMCC and Board meetings.
- The Investment Committee is responsible for formulating policies, strategies as well as reviewing matters relating to the investment in shares and private debt securities.
- The Information Technology Steering Committee is chaired by the Chief Executive Officer of Lonpac. The committee is responsible for establishing effective computerisation plans, authorising information technology related expenditure above predefined limits and monitoring the progress of approved projects.
- Internal control requirements are embedded in computerised systems as well.
- The Systems and Methods Committee is chaired by the Chief Executive Officer of Lonpac to oversee the control and efficiency of processes.
- The Credit Control Committee is chaired by the Chief Executive Officer of Lonpac and represented by the Deputy Chief Executive Officer, Heads of the Business Development Department and Accounts & Finance Department. Monthly meetings are conducted with the objective of maximising the conversion of accounts receivables into cash flow and minimising impaired debts written off.
- The Business Resumption Continuity Plan (“BRCP”) Committee is chaired by the Chief Executive Officer of Lonpac. The committee is responsible for preparing a BRCP to ensure that the Group suffers minimum interruption to its systems, processes and operations in the event of any disasters.
- A BRCP manual was formulated to ascertain that the Group suffers no material interruptions to its systems, processes and operations, or material damages to its assets upon the occurrence of any disastrous events. A separate BRCP manual was formulated for the Singapore branch. The BRCP plan for both Malaysian and Singapore operations are tested annually. The BRCP testings are observed by the IAD to provide an independent evaluation of the testing preparation and to highlight any deficiencies noted during the testings. A written assessment report on the BRCP testing is prepared by the IAD for the Audit Committee’s review. The IAD reviews the Post-Test Analysis Reports prepared by the Company and submits their assessment report to BNM as required under the Guidelines on Business Continuity Management (Revised) (“BCM”).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Risk Management and Internal Control

- On an annual basis, the IAD reviews the level of commitment to BCM and overall preparedness with reference to Lonpac's BCM policies and regulatory requirements. Gaps identified will be documented in the audit report to the Audit Committee together with the action plans for further improvement by the respective business functions. An executive summary of the audit report, which includes comments from the Audit Committee, will be submitted to BNM as required under the Guidelines on BCM.
- The Business Process Management Steering Committee is chaired by the Chief Executive Officer of Lonpac. The committee's responsibilities are:
 - to leverage on emerging technology to develop a flexible, agile and robust business model to prepare for future changes and eventual market liberalisation;
 - to streamline business processes for improved visibility and efficiency in workflow processes/operations; and
 - to ensure the provision of speedy, quality and consistent services.
- Training and development programmes are conducted to enhance staff competencies and maintain a risk control conscious culture.
- Training sessions for agents are conducted to enhance their competencies and technical knowledge for better risk management in developing agency networking.
- There are proper guidelines within the Group for hiring and termination of staff. Annual performance appraisals are in place to ensure that the staff are competent in carrying out their duties and responsibilities.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with International Standard on Assurance Engagements ("ISAE") 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* as adopted by the Malaysian Institute of Accountants ("MIA") and Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report* issued by MIA, for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b. is factually inaccurate.

The external auditors are not required to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

AUDIT COMMITTEE REPORT



Chairman
Lee Chin Guan
Independent Non-Executive Director
B.Sc. (Hons), BCL (Oxon), LL.M (Cantab),
JD (Chicago-Kent), Barrister-at-Law (Middle Temple)



Members
Tee Choon Yeow
Independent
Non-Executive Director
B.Com., CA (NZ), CA (M'sia),
FCPA (Aust)



Members
Quah Poh Keat
Non-Independent
Non-Executive Director
FCCA (UK), CA (M'sia),
CPA (M'sia), ACMA (UK),
Fellow MIT (M'sia)
(Ceased as Member with effect
from 30 October 2018)



Members
Chan Kwai Hoe
Independent
Non-Executive Director
B.Ec (Hons)
Analytical Econs



Members
Soo Chow Lai
Independent
Non-Executive Director
BA Econs (Hons)
(Appointed as Member with
effect from 1 August 2018)

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is established by the Board of Directors ("Board") and comprises five non-executive directors of whom four are independent directors. The Chairman of the Audit Committee is appointed by the Board and is an independent non-executive director and also not the Chairman of the Board. The members of the Audit Committee have the relevant accounting or related experience and expertise in the financial services industry.

ATTENDANCE OF MEETINGS

The details of attendance of each member at the Audit Committee meetings held during 2018 are as follows:

Name of Audit Committee Member	Attendance at Audit Committee Meetings
Lee Chin Guan <i>Chairman/ Independent Non-Executive Director</i>	4/4
Tee Choon Yeow <i>Member/ Independent Non-Executive Director</i>	4/4
Quah Poh Keat <i>Member/ Non-Independent Non-Executive Director</i> <i>(Ceased as Member with effect from 30 October 2018)</i>	4/4
Chan Kwai Hoe <i>Member/ Independent Non-Executive Director</i>	4/4
Soo Chow Lai <i>Member/ Independent Non-Executive Director</i> <i>(Appointed as Member with effect from 1 August 2018)</i>	1/1

The Audit Committee met four times during the year.

The Audit Committee meetings were attended by the Internal Auditors, the Chief Executive Officer and certain members of senior management. The role of the Audit Committee is to ensure that recommendations made by both internal and external auditors, as well as by regulators, are addressed and dealt with in a timely manner.

In performing its function, the Audit Committee had met the external auditors without the presence of any executive member of the Board and management staff on 10 January 2018.

The details of the terms of reference of the Audit Committee are available at www.lpicapital.com.

SUMMARY OF ACTIVITIES

During the year, the Audit Committee carried out the following activities:

1 FINANCIAL RESULTS

- Reviewed the annual audited financial statements of the Company/ Group and quarterly results of the Group, and thereafter, submitted them to the Board for approval.

- Reviewed the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for Board's approval.
- Reviewed the Press Release Statements and recommended them to the Board for approval.
- Reviewed the documents for submission to Bank Negara Malaysia ("BNM") pursuant to Section 51(1) of the Financial Services Act 2013 on the declaration and payment of dividend, and thereafter, recommended to the Board for approval.

In reviewing the annual audited financial statements, the Audit Committee discussed with the Management and the external auditors the accounting principles and standards that were applied and their opinion on the items that may affect the financial statements.

2 INTERNAL AUDIT

- Reviewed the results of the Group's internal audit procedures and the adequacy of actions taken by the Management based on the internal audit reports. Where appropriate, the Audit Committee has directed the Management to rectify and improve controls and operational workflow based on internal auditors' recommendations.
- Reviewed the internal audit reports arising from the follow-up review of each audit to ensure that all control lapses have been addressed.

AUDIT COMMITTEE REPORT

- Reviewed the Internal Audit Reports on the Observation of Business Continuity Plan/ Disaster Recovery Plan (“BCP/ DRP”) testings pursuant to the Guidelines on Business Continuity Management (Revised) (“BCM”) issued by BNM.
- Reviewed the Internal Audit Reports on the Review of BCP/ DRP Post-Test Analysis Reports pursuant to the Guidelines on BCM.
- Reviewed the level of commitment to BCM and the overall preparedness against its BCM policies and regulatory requirements, in accordance with the Guidelines on BCM.
- Reviewed the Internal Audit Report on Review of Stress Test Policy pursuant to the Policy Document on Stress Testing issued by BNM.
- Discussed the 2017 Supervisory Letter from BNM and the draft reply letter to BNM pertaining to the actions taken/ or to be taken, together with the respective timelines.
- Reviewed the Independent Validation Report on Differential Levy System (“DLS”) Quantitative Information and Return on Calculation of Levies (“RCL”) to Perbadanan Insurans Deposit Malaysia (“PIDM”) for the financial year ended 31 December 2017.
- Reviewed the Internal Audit Department's comments and recommendations on the risk management and capital management processes relating to Internal Capital Adequacy Assessment Process (“ICAAP”), in accordance with the Guidelines on ICAAP for Insurers issued by BNM.
- Reviewed the Report on Actuarial Valuation Process.

- Reviewed the Report on Assessment of Outsourcing Arrangement of Singapore branch.
- Reviewed the Report on Review of Storage and Transportation of Sensitive Data in Removable Media.
- Reviewed the revised Internal Audit Charter and recommended to the Board for approval.
- Approved the Internal Audit Plan 2019.
- Noted the Conclusion Report on Audit Findings.
- Noted the Report on Internal Audit Function.
- Evaluated the performance of Internal Audit Function.
- Noted the resignation of Internal Audit staff.

The Audit Committee acknowledges that the internal control system of LPI Group, which was enforced throughout the financial year up to the date of this report, provided reasonable although not absolute assurance against material financial misstatements or loss. The internal controls were also deemed sufficient in ensuring the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risks.

The Audit Committee arrived at these conclusions as there is no evidence that there has been any shortcomings in the aforementioned processes. Nevertheless, the Audit Committee notes that the internal control system cannot

provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

3 EXTERNAL AUDIT

- Reviewed the following with the external auditors:
 - their audit plan, audit strategy and scope of audits of the Company/ Group for the year;
 - their evaluation on the system of internal controls of the Company/ Group;
 - the results of the annual audit, management letter for insurance subsidiary including the Management's response to the findings of the external auditors and also the auditors' report to the shareholders.
- Discussed the letters of engagement from the external auditors and recommended them to the Board for approval.
- Reviewed the suitability, objectivity and independence of the external auditors and recommended to the Board for re-appointment and the audit fee thereof and also approved the provision of non-audit services by the external auditors.
- Reviewed the draft Limited Assurance Report of the external auditors to the Board on the Statement on Risk Management and Internal Control.
- Reviewed the draft representation letters to external auditors.
- Met with the external auditors without any executive Board members and management staff present.

AUDIT COMMITTEE REPORT

4 RELATED PARTY TRANSACTIONS

- The Audit Committee reviewed the related party transactions and possible conflict of interest situations that may arise within LPI Group in accordance with the Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) issued by Bursa Malaysia Berhad, and thereafter recommended the same to the Board for noting. During this annual review, the Audit Committee deliberated on the key issues pertaining to the related party transactions as recommended in Exhibit 7 of the Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition).
- Upon its review, the Audit Committee concurred with the Management's recommendation that the related party transactions were carried out on normal commercial terms, and not prejudicial to the interests of the Group or its minority shareholders.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Internal Audit Department ("IAD") in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework and its primary role is to provide assurance on the adequacy and effectiveness of the risk management, control and governance framework of the Group. The IAD was established to provide independent, objective assurance and consulting activities within the Group to add value and improve the Group's operations through audits of the Group's key operations and also to ensure consistency in the control environment and compliance with established policies and procedures, rules, regulations, guidelines, directives and laws.

The Head of IAD reports directly to the Audit Committee to maintain the objectivity and independence of the Internal Audit function. The Head of IAD has the authority to communicate directly, as and when necessary to the Board, Chairman of the Board, the regulators and the external auditors where appropriate. The Internal Audit Charter, which sets out the mission, objectives, independence, authority, roles and responsibilities, resources and scope of audit work of the IAD, is approved by the Board and communicated throughout the organisation. The Internal Audit Charter is reviewed once in every 3 years.

The Internal Audit function is carried out by IAD based on the annual audit plan that is reviewed and approved by the Audit Committee. The audit plan includes reviews of the adequacy of operational controls, risk management, compliance with established policies, procedures, laws and regulations, quality of assets, management efficiency as well as effectiveness of computer application systems and telecommunications network. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it is adequately resourced with competent and proficient internal auditors.

Pursuant to the Guidelines on Internal Audit Function of Licensed Institutions issued by BNM, the Audit Committee has approved the evaluation process for the Internal Audit function, which provides a formal and transparent procedure for the Audit Committee to evaluate the Internal Audit function. The Audit Committee evaluates the Internal Audit function of the Group once in every 2 years.

A risk-based audit approach is implemented to ensure that higher risk activities in each auditable area are audited more frequently. This is designed to evaluate and enhance risk management, control and governance processes to assist management in achieving its corporate goals. The audits further help to ensure that appropriate instituted controls are in place, effectively applied and achieved acceptable risk exposures in accordance with the Group's risk management policy.

During the year, IAD conducted various internal audit engagements in accordance with the annual audit plan which are consistent with the organisation's goals. IAD evaluated the adequacy and effectiveness of key controls in response to risks within the Group's governance, operations and information systems. The areas evaluated include the following:

Relevancy, reliability, integrity, accuracy, completeness and timeliness of financial and operational information;

Adequacy of controls to safeguard the Group's assets;

Adequacy and effectiveness of the system of internal controls;

Compliance with policies, procedures, rules, regulations, guidelines, directives and laws;

AUDIT COMMITTEE REPORT

Integrity of risks measurement, adequacy of control and reporting systems and compliance with approved risk management policies and procedures;

Nature of the related party transactions and conflict of interest situation that could raise questions of management integrity;

Adequacy and effectiveness of the Group's system in assessing its capital in relation to its estimate of risks;

Effectiveness of Information System ("IS") in supporting the business activities and the adequacy of controls over IS management, systems development and programming, computer operations and security and data integrity;

Quality and effectiveness of the stress test policy;

Adequacy and effectiveness of the Validation Programme for DLS Quantitative Information and RCL to PIDM;

Level of commitment to BCM, and overall preparedness against the Group's BCM policies and regulatory requirements as well as adequacy and effectiveness of Business Continuity Plan and Disaster Recovery Plan testings;

Risk management and capital management processes relating to ICAAP in accordance with the Guidelines on ICAAP for Insurers issued by BNM; and

Adequacy and effectiveness of the actuarial valuation process.

The Internal Audit Reports prepared by IAD arising from the audits are deliberated by the Audit Committee and recommendations are duly acted upon by the management. Follow-up reviews are conducted by IAD to ensure that all matters arising from each audit are adequately and promptly addressed by the auditee/ management.

IAD assumes a consultative role prior to the implementation of new information technology projects to evaluate the risk exposures and controls that should be in place to mitigate the risks identified.

Nevertheless, IAD will not be involved in the system selection or implementation process to maintain its objectivity and independence.

IAD works collaboratively with the Enterprise Risk Management Department to review and assess the adequacy and effectiveness of the risk management processes within the LPI Group. All the internal audit activities were performed in-house. The total cost incurred in managing IAD in 2018 was RM2,766,000.

A summary of the internal audit costs is as follows:

Cost Category	RM'000	% of Total Cost
Manpower	2,656	96.0
Training	25	0.9
Travelling (inclusive of accommodation)	85	3.1
Total	2,766	100.0