

## STATEMENT OF CORPORATE GOVERNANCE

The following are the measures adopted by the Board of Directors to enhance superior corporate governance.

### (1) Legal and Compliance

The Group has developed operational procedures and guidelines and all new employees are briefed thoroughly about these procedures and guidelines as part of their induction and orientation program. A compliance manual and staff handbook set out the ethical standards and conduct requirements within which employees are expected to act, and new employees are taken through these requirements. In addition, regular training courses are organised to ensure that the highest professional standards are maintained, and that the policies and guidelines laid down by the Group have been effectively implemented.

The guidelines and procedures are regularly updated as necessary to reflect legislative and regulatory changes, thus ensuring the highest standards of integrity and professionalism.

Our Legal and Compliance Department also carries out regular internal reviews and tests, and reports its findings to senior management.

### (2) Risk Management Committee

As previously reported, in recognition of the increasingly varied and complex nature of the financial services business, we continue to believe that risk management must reside within, but be independent of Kingsway's core business activities. This is to protect the interest of all stakeholders and to manage our professional and legal obligations.

The Board of Directors establishes the overall risk management policies for the Group. The Risk Management Committee is composed of our CEO, Deputy CEO, Risk Management Controller and Director of Legal and Compliance which monitors specific risks, with the objectives of (i) identifying risks; (ii) the continuous assessment and management of risks; (iii) quantifying and assessing all risks and setting prudential limits; and (iv) introducing regular reporting to senior management.

The Group's principle in relation to risk management is that where risk is assumed, it is within a calculated and controlled framework with continuous assessment and reporting. The process is multi-faceted covering market risk, credit risk, concentration risk and system failure risk.

The Group views management of risks as critical and an integral part to the Group's continuing profitability.

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### (3) Audit Committee

The Audit Committee consists of two independent non-executive directors. It is responsible for conducting reviews, and reports to the Board before the approval of the annual and interim financial reports and all other financial information published by the Group or released to the market. In the course of its review, the Audit Committee will also comment on and assist the Board on issues concerning the effectiveness of the Group's internal controls environment, compliance with relevant laws and regulations, risk management and the scope and quality of the audit.

In fulfilling these responsibilities, the Audit Committee meets with external auditors and senior management, as and when necessary, but at least twice a year. The external auditors also have a direct channel of communication at any time to either the Chairman of the Committee or to the Board.

### (4) Remuneration Committee

The Remuneration Committee comprises our deputy CEO, the Executive Director in charge of Human Resources and one independent non-executive director.

The Remuneration Committee's main responsibility is to annually review executive remuneration package, having regard to performance and relevant comparative information. The Committee also takes into account whether these packages are competitive and sufficiently attractive enough to retain executives. The remuneration package consists of basic salary, mandatory provident fund contributions, bonuses, fringe benefits and employee options scheme.

The independent non-executive directors' remuneration is determined and set by the Board and approved by the shareholders at the Annual General Meeting.