

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5182
COMPANY NAME : MCT BERHAD
FINANCIAL YEAR : 30 JUNE 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (“MCCG 2017”)

Disclosures in this section are pursuant to Paragraph 15.25 of Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	: Applied
Explanation on application of the practice	<ul style="list-style-type: none"> • The Board of Directors (“Board”) of MCT Berhad (“MCT” or “Company”) has set-up a Board Charter wherein it lays out the role and the responsibilities of the Board to ensure that the Company’s goals are clearly established. The Board Charter is published on the Company’s corporate website, www.mct.com.my. • The Board is tasked to monitor the performance of the Management and implementation of strategies and policies, including assessing whether appropriate resources are available. These are normally discussed during the quarterly Board Meetings including the presentation of financial results. • The Board has established and is supported by the following Board Committees which consist of a majority of Independent Non-Executive Directors to provide independent overights on management: <ul style="list-style-type: none"> (i) Audit and Risk Management Committee (“ARMC”); (ii) Nomination Committee (“NC”); and (iii) Remuneration Committee (“RC”). • The Board has tasked the ARMC to review the adequacy and effectiveness of risk management, internal control and governance systems. The ARMC receives report from the in-house internal audit team and has outsourced the Company’s risk management function to an independent third party professional firm.

	<ul style="list-style-type: none"> • The NC is tasked to identify, assess and recommend the right candidates to the Board as well as review and assess the performance of the Board. In addition, the NC also reviews the independency of the Board Members on an annual basis. • The Board has also tasked the RC to review and recommend matters in relation to the remuneration of the Board and Senior Management. • These Board Committees have the authority to report to the Board on their recommendations and the final decision will be decided by the Board. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor is the Chairman of the Company who holds a non-executive position and is primarily responsible for leading and ensuring the overall conduct and performance of the Board.</p> <p>He was appointed to the Board as an Independent Non-Executive Director on 1 April 2015 and was subsequently re-designated as the Chairman of the Company on 3 April 2015.</p> <p>In fulfilling his role as Chairman of the Company, he amongst others carries out the following:</p> <ul style="list-style-type: none"> • Leader of the Board and responsible for the development needs of the Board. • Setting the Board Agenda and ensure that the Board receives complete and accurate information in a timely manner. • Maintain constructive and respectful relationship between the Board and the Management. • Represent the Company at shareholders' meetings and ensure that there is effective communication between the Company and the shareholders and stakeholders. • Oversee the annual evaluation of performance of the Board and Board Committees. • Facilitate constructive and effective contribution from all Directors at the Board Meeting. • Lead the Board in establishing and monitoring good corporate governance practices in the Group.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The positions of Chairman and CEO are held by different individuals, wherein Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor is appointed as the Chairman while Mr. Jose Juan Z. Jugo is appointed as the CEO. The distinct and separate roles of the Chairman and CEO with their clear division of responsibilities ensure that there is a balance of power and authority.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by internal and external company secretaries who are qualified and able to provide the necessary advice required by the Board. The secretaries provide the Board with relevant support to:</p> <ul style="list-style-type: none"> • Companies Act, 2016 (“CA 2016”), Main LR, statutory obligations and other relevant laws and regulations; • Assist the Board to function effectively and in accordance with their respective TOR and best practice; • Ensure adherence to board policies and procedures and practices of corporate governance; • Organise and coordinate the required Board and Board Committee; • Ensure the process and procedures of a meeting is properly conducted and deliberations at meeting are accurately recorded; and • Facilitate any training requirements for Directors and update the Board with any regulatory changes.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• All Directors are furnished with the relevant agenda and Board Papers prior to each meeting so that the Directors have an overview on matters to be discussed or reviewed at the meetings and to seek further clarifications, if any.• The Directors have access to advice and services of the Company Secretaries.• The Directors have access to request any services of professionals if required in order to discharge their duties.• The Directors are provided with the relevant Board Papers in advance of meetings.• Minutes of meetings are taken down by the Company Secretary and tabled at the next Board/Committee meeting for approval and confirmation.• In the absence of any forthcoming Board Meetings, any matters requiring the sanction of the Board may be sought by way of Directors' resolutions in writing. All Directors' resolutions in writing approved by the Board are tabled for notation at the next Board Meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 2.0

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the Board, its Committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board Charter was established on 7 May 2015 and sets out the composition, roles and responsibilities, re-election/re-appointment, remuneration and Board meetings of the Company. • The Board Charter is published on the Company's website, www.mct.com.my. • The Board Charter will be reviewed and updated to incorporate the changes in requirements of MCCG 2017, CA 2016, and Main LR periodically. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 3.0

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a *Code of Conduct and Ethics* for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The *Code of Conduct and Ethics* is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group is committed to upholding good corporate governance practices and upholding its business ethics, maintaining the confidence and trust of its customers and suppliers.</p> <p>The Group had on 7 May 2015 established a Code of Ethics covering Honest and Ethical Conduct, Conflicts of Interest, Proper Use of Group's Assets, Compliance, Confidentiality, Fair Dealing, Reporting and Enforcement and Waiver for all employees of the Company and all of its subsidiaries.</p> <p>The Code of Ethics is published on the Company's website, www.mct.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 3.0

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Whistleblowing Policy of the Company was established on 7 May 2015 and it is published on the Company's website, www.mct.com.my.</p> <p>All employees are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way in accordance to the Whistleblowing Policy.</p> <p>The reporting channel for whistleblowers can be made via a dedicated email address, whistleblowing-mct@bdo.my.</p> <p>This Policy is administered by the Group's Top Management and overseen by the ARMC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For **Large Companies**, the Board comprises a majority independent directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<ul style="list-style-type: none"> • The Board currently consists of eight (8) members, comprising of three (3) Independent Non-Executive Directors (“INED”), three (3) Non-Independent Non-Executive Directors (“NINED”), one (1) Executive Director (“ED”) and one (1) Alternate Director to a NINED. The composition of the Board fulfils the prescribed requirement that one-third (1/3) of the number of the Directors on the Board be independent. • Recognising the value of Independent Directors, the Board’s composition is in line with Paragraph 15.02(1) of the Main LR, which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher. • The Board takes cognisance that the current board composition is not aligned with the best practices of MCCG 2017 stipulating that at least 50% of the Board should be Independent Directors. • The Board endeavours to seek for suitable and calibre candidates as an Independent Director of the Company in order to make up at least 50% of Independent Directors in the composition of the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - No Independent Director(s) serving beyond 9 years.	
Explanation on application of the practice	:		
Explanation for departure	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		
	:		

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of boardroom diversity and values the benefits that diversity can bring to its Board of Directors.</p> <p>The Board also recognises that having different facets of skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.</p> <p>The Board has established a NC to ensure suitable Board Members and Senior Management with appropriate skillset, experience, age, cultural background and gender are able to support the Board in disseminating its duties and the Company in achieving its goals.</p> <p>The NC is entrusted with the task of proposing and recommending new nominee(s)/candidate(s) to the Board. It also undertakes an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies and effectiveness of the Board as a whole, and the contribution of each individual Director.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For **Large Companies**, the board must have at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, and ethnicity and recognises the benefits of this diversity. • In promoting boardroom diversity, the Board as an advocate of gender diversity, aspires to have a higher female representation since 2015. • Notwithstanding the above, the Board currently is represented by one (1) woman Director; namely Ms Anna Maria Margarita Bautista Dy. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board through its NC receives nomination on new Board members from various sources which include recommendation from the Board, major shareholders and also independent sources to identify suitably qualified candidates. • The selection of new Board members takes into account the qualification, experience and willingness to contribute time and effort towards the Company. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by an Independent Non-Executive Director, Tan Sri Dato' Hj. Abd Karim Bin Shaikh Munisar.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For **Large Companies**, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The annual assessment internally facilitated and conducted by the NC is performed through an evaluation form adopted by the NC at the NC Meeting. The NC makes an annual assessment of each individual Director and also the Board Committees as well as the overall Board. • The Board members are assessed based on character, commitment, experience, integrity, competence and time spent to discharge their duties. • The results of the assessment are presented to the Board for comments and recommendations (if any). • All assessment and evaluation carried out by the NC are properly documented. • The NC was satisfied that each of its Directors has the experience, integrity, character and commitment and time to discharge their responsibilities cum respective roles competently and effectively.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 6.0

The level and composition of remuneration of directors and senior management take into account the company’s desire to attract and retain the right talent in the board and senior management to drive the company’s long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company’s website.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Group operates in a competitive environment and it is essential that part of its strategy is to attract, motivate and retain the highest achievers who are able to deliver the business objectives. The level of remuneration and benefits the Company offers is the key to supporting the objectives and maintaining our market position as an employer of choice. • The Company has established a set of Remuneration Policies & Procedures to support the Directors and Key Senior Management in carrying out their responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders’ value. The Board’s objective in this respect is to offer a competitive remuneration package in order to attract, motivate, retain and reward Directors and Key Senior Management who will manage and drive the Company’s success. • The Board has set-up a RC to assist the Board in setting out competitive salaries and benefits to attract the right Executive Director(s) and Senior Management(s). • The remuneration package of Non-Executive Directors is based on the level of experience and responsibilities.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 6.0

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board had on 3 April 2015 reconstituted the RC which is represented by majority of Independent Non-executive Directors. • The RC reviews the contract and compensation of Executive Director(s) and recommend to the Board for approval. • The RC ensures that the level of remuneration is sufficiently attractive in order to be able to retain Directors needed to run the Company. • The Terms of Reference of the RC is published on the Company's corporate website, www.mct.com.my. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The remuneration package of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 30 June 2018 is disclosed on name basis in the Annual Report 2018. The remuneration breakdown of individual Directors includes remuneration, Directors' Fees and meeting allowance.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus benefits in-kind and other emoluments in bands of RM50,000.00.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board is of the opinion that the disclosure on the remuneration of the Key Senior Management on a named basis will not be in the best interest of the Group due to confidentiality and sensitivity concerns as well as the issue of competitiveness of the Company in engaging its employees.</p> <p>The Board will ensure that the remuneration of the Key Senior Management commensurate with their duties and responsibilities, the performance of the Company and without excessive remuneration payouts.</p> <p>Based on the above rationale, the Company is not in favour of disclosing the remuneration of its top five (5) Key Senior Management.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome 8.0

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board had on 3 April 2015 reconstituted and re-designated the ARMC and the ARMC currently comprises of four (4) members, represented by majority of Independent Non-Executive Directors. • The Chairman of the ARMC is Mr. Lao Chok Keang, an Independent Non-Executive Director and he is not the Chairman of the Board. The Chairman of the Board is Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor, Independent Non-Executive Director and Chairman. • The ARMC meets regularly and presents to the Board the matters deliberated during its meetings and recommends to the Board approvals/adoption required (where necessary). • The ARMC engages with the Internal and External Auditors to ensure that the financials, internal controls and risk management of the Company are reliable and assets and risks of the Company are properly managed. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 8.0

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The ARMC is not represented by any former key audit partner. However, it will include the policy of two (2) years cooling-off period in the Terms of Reference of ARMC at a later date.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 8.0

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The ARMC conducts an annual evaluation to review the competency and independence of the External Auditor before considering their appointment and/or re-appointment of the External Auditor. • The ARMC reviews and discuss the audit plan with the External Auditor to ensure the nature and scope of the audit recommended is appropriate. • The External Auditor makes declaration of their independence to the ARMC. The ARMC also obtains written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement. • The ARMC discusses with the External Auditor the findings of the Audit upon completion of the audit engagement and recommends/present to the Board the findings/conclusions.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 8.0

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome 8.0

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee’s findings and recommendations. The Company’s financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The members of the ARMC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the Terms of Reference (“TOR”) of the ARMC. • The members of the ARMC undertakes continuous training and developments in topics required to discharge their duties. • The External Auditors in their presentations during the ARMC meeting will update and brief the ARMC of any new accounting and auditing standards relevant to the Company. • The Board through the NC has reviewed the effectiveness and term of office of the ARMC via an evaluation questionnaire. The Board is satisfied with the performance of the ARMC and that the necessary skills, experience, knowledge and other relevant field of expertise of the ARMC members will contribute to the overall effectiveness of the ARMC.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
	:	

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.1

The Board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board is ultimately responsible for the Group’s overall internal control and risk management. • The Management has set-up an Enterprise Risk Management (“ERM”) process wherein procedures, methodologies, evaluation and documentation of risks and internal controls are applied within the Group. • The said framework was prepared by the Senior Risk Management Manager. After her departure from the Company, the risk management function was outsourced to an independent consulting firm, Axcelasia Columbus Sdn. Bhd. (“Axcelasia”). • Following the termination of Axcelasia, the Board outsourced its risk management function to KPMG Management & Risk Consulting Sdn. Bhd., an independent third party consulting firm. • The role of external risk management is to enhance the ERM Framework of the Group to facilitate systematic application of risk management practices and reporting on risk management results effectively. • A Statement on Risk Management and Internal Control is disclosed in the Company’s Annual Report, which prescribes the risk management framework and internal control system undertaken by the Company.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • A Statement on Risk Management and Internal Control is disclosed in the Company's 2018 Annual Report, which prescribes the risk management and internal control framework undertaken by the Company. • The internal auditors report to the ARMC on a periodic basis. • The Board is assisted by Management to ensure that internal control and risk management practices are implemented to manage the principal business risks of the Group. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	<ul style="list-style-type: none">• The Board has on 3 April 2015 re-designated the Audit Committee to ARMC to oversee the risk management framework and policies. Prior to the re-designation, the Audit Committee's role also included the oversight of the risk management framework and policies.• The ARMC comprises of majority Independent Non-Executive Directors.

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The ARMC is supported by an independent and adequately resourced in-house IAD in the discharge of its duties and responsibilities. • The mission of the IAD is to enhance and protect the Group's organisational value by providing risk-based and objective assurance, advice and insight. • The IAD helps the Group to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. • The IAD reports functionally to the ARMC and administratively to the Chief Financial Officer. • The IAS adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors Inc., USA. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Company has an in-house IAD led by a qualified and experienced Senior Manager with three (3) assistants to carry out its appraisal function independently from the Management, with the Head of Internal Audit who directly report to the ARMC. • The IAD, which has a total of four (4) staff, is headed by Mr. Wong Choon Ming. Wong holds a bachelor’s degree in accounting and is a Chartered Member of the Institute of Internal Auditors Malaysia. • The function of the IAD is to assist the ARMC, Board and Management in discharging their governance responsibility, to provide the assurance on the adequacy and effectiveness of the internal control systems, risk management and recommending improvements to add value to the Group’s operational efficiency. • The internal auditors have confirmed that they are free from any relationships or conflicts of interest which could impair their objectivity and independence in their audit assignments. • The Board has put in place an Internal Audit Charter recommended by the ARMC as a guide to the IAD in its objectives and scope of authority. The internal audit function fully abides by the provisions of its charter. • The Audit Plan will be implemented once approved by the ARMC and the IAD reports are circulated to the ARMC on a periodic basis. • A statement on the Internal Audit function with the required disclosure is available under the Audit Committee Report in the Company’s 2018 Annual Report.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The Board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Company uses its Annual General Meeting ("AGM") as one (1) of the avenues to communicate with shareholders. During the AGM, the Company prepares a presentation of the financials and operations of the Group and answers any questions the shareholders may have. • The Company has a website where it communicates to stakeholders on its products, business and policies on governance, environment and social responsibility. • Except the above, the following communication channels are also used to promote effective communication between the Company and its stakeholders: <ul style="list-style-type: none"> i) Announcement of Quarterly Group Financial Results and Analyst Briefing; and ii) Annual Report. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not classified as Large Companies and does not adopt integrated reporting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least twenty-eight (28) days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Company despatches its notice of meeting at least twenty-eight (28) days before the AGM together with a copy of the Annual Report and circular (if applicable) to the shareholders of the Company. • The Notice of AGM and 2018 Annual Report of the Company are targeted to be circulated to the Shareholders on 30 October 2018, i.e. more than twenty-eight (28) days before the date of AGM to be held on 28 November 2018. • The additional time given to the shareholders will enable them to have sufficient time to consider all resolutions that will be discussed at the AGM as well as to make the necessary arrangement to attend and participate in person. • An explanatory statement is also provided for each of the proposed resolution under the special business included in the Notice of AGM to facilitate a better understanding and evaluation of issues involved and allows shareholders to make an informed decision in exercising their voting rights at the AGM.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> All the Directors are given sufficient notice period on the meeting dates according to the meeting calendar so that they can allocate time to attend the General Meeting. The Chairman or any of the Directors will provide responses to any questions raised by the shareholders as well as the Minority Shareholders Watchdog representatives which would normally be present at the Company's AGM. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome 12.0

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Company normally holds its general meeting at a strategic location with easy accessibility, where most of its shareholders would be able to attend. • The Notice of AGM and Proxy Form have been despatched to all the shareholders with a notice period of more than twenty-eight (28) days. There is sufficient time for them to decide on whether to attend, participate, speak and vote at the meeting personally or to submit the proxy form if said members are unable to attend the meeting personally. • Shareholders may appoint any person(s) as their proxy or corporate representative(s) to attend, participate, speak and vote in his stead at the general meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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