

CORPORATE GOVERNANCE REPORT

STOCK CODE : 2445
COMPANY NAME : KUALA LUMPUR KEPONG BERHAD
FINANCIAL YEAR : September 30, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

Intended Outcome

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	:	<p>Kuala Lumpur Kepong Berhad is led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse sectors and backgrounds and also in the Group's core businesses. The Directors collectively, set the Company's strategic objectives and ensure that the necessary resources are in place for the Company to meet its objectives and review management performance.</p> <p>The Board is responsible for leading the Group and playing a strategic role to oversee the conduct of the Group's affairs and overall activities of the Management. The principal functions and responsibilities of the Board of Directors include the following:</p> <p>(a) Providing leadership to the Company by:</p> <ul style="list-style-type: none">• Guiding the development of appropriate standards and values for the Company.• Acting in a manner consistent with the Directors' Code of Conduct. <p>(b) Overseeing the development and implementation of corporate strategies by:</p> <ul style="list-style-type: none">• Working with the Senior Management to ensure that an appropriate strategic direction and set of goals are in place.• Regularly reviewing and amending or updating the Company's strategic direction and goals developed by the Senior Management.• Providing guidance and leadership to the Senior Management and ensuring that adequate resources are available to meet its objectives.

- Overseeing planning activities including the development and approval of strategic plans, major funding proposals, investment and divestment proposals, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets.
- Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews.

(c) Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through its Chairman, being the key interface between the Company and its shareholders.

(d) Overseeing the control and accountability systems that seek to ensure the Company is progressing towards the goals set by the Board and which are in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations.

(e) Ensuring effective risk management, compliance and control systems (including legal compliance) are in place.

(f) Delegating appropriate powers to the Chief Executive Officer ("CEO"), Management and Committees to ensure the effective day-to-day management of the business, and monitoring the exercise of these powers.

(g) Reviewing potential candidates for the Board and Senior Management positions across the Group through the Nomination Committee to ensure efficient succession planning and continuity of the vision and mission of the Group.

(h) Embedding sustainability and corporate responsibility practices as part of Group strategy.

The Board is guided by its Board Charter and Code of Conduct for Directors which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions, and the standard of conduct expected of Directors respectively.

Board Committees, which operate within its respective defined Terms of Reference, have been constituted to assist the Board in the discharge of its specific duties and responsibilities. Hence, the Chairmen of the respective Committees report to the Board the outcome of deliberations of each Committee meetings.

The Board is regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Additionally, in-house briefings by external auditors, solicitors and/or

	<p>Management are organised from time to time to update Directors on relevant statutory and regulatory requirements and the Group's business and operational practices. All Directors are also encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.</p> <p>For the financial year under review, Directors have attended various programmes to keep abreast with general economic, industry and technical developments as well as changes in legislation and regulations affecting the Group's operations. Directors also visited the Group's marketing and operating centres in Malaysia, Singapore, Indonesia, Europe, China and Australia with the aim of enhancing their understanding and knowledge on the technical and operational aspects of industry-related issues.</p>	
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

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 who 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>The Chairman of the Company, who was appointed by the Board, is responsible for leading the Board in discharging its duties effectively, and enhancing the Group's standards of corporate governance.</p> <p>The roles and responsibilities of the Chairman include:</p> <ul style="list-style-type: none">(a) Providing effective leadership to the Board, i.e. to see that the Board gets its job done.(b) Setting the agenda for Board meetings together with the Chief Executive Officer and ensuring the provision of complete and accurate information to all Directors in a timely manner.(c) Leading Board meetings and discussions, and ensuring the effective and efficient conduct of the Board meetings.(d) Encouraging active participation and allowing dissenting views to be freely expressed to ensure that the key issues facing the Group are addressed.(e) Promoting consultative and respectful relations between Board members and between the Board and Management.(f) Chairing shareholders' meetings and ensuring appropriate steps are taken to provide effective communication with stakeholders to ensure their views are communicated to the Board as a whole.(g) Leading the Board in establishing and monitoring good corporate governance practices in 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	:		
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Intended Outcome

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	:	<p>The Board believes that the separation of the roles and responsibilities of the Chairman and the Chief Executive Officer (“CEO”) ensures an appropriate balance of power and authority. Hence, there is a clear division of responsibilities and accountabilities between the Chairman and the CEO under the present hierarchical structure to facilitate efficiency and expedite decision-making.</p> <p>The division of responsibilities and accountabilities between the Chairman and the CEO is clearly defined in the Board Charter. The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group’s standards of corporate governance. He promotes an open environment for debate, and ensures that all Directors are able to speak freely and contribute effectively at Board meetings. The Chairman also provides clear leadership to the Board with respect to the Group’s long-term growth and strategy.</p> <p>The CEO focuses on the business, organisational effectiveness and day-to-day management of the Group. He also executes the Board’s decisions and strategic policies, and chairs the Executive Committee, which comprises Senior Management executives to oversee the operations of the KLK Group.</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

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 a 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 an in-house Company Secretary, who is suitably qualified, experienced and competent. The Company Secretary constantly undertakes continuous professional development to keep abreast of relevant statutory and regulatory requirements.</p> <p>The Company Secretary is responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretary also organises and attends all Board meetings and ensures that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.</p> <p>In order to ensure uniformity of Board conduct, the Company Secretary also has oversight of the overall corporate secretarial functions of the Group, both locally and in the countries where its subsidiaries are operating, and serve as an adviser on matters pertaining to governance.</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

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	:	<p>Prior to Board meetings, all Directors are furnished with the Agenda which sets out the matters to be discussed not less than seven (7) days prior to the meetings. Detailed board papers that contain relevant qualitative and/or quantitative information for the Agenda are also circulated to the Directors simultaneously to give Directors time to review the reports, obtain further clarification if necessary and enable focused and constructive deliberation at Board meetings. Monthly reports on the financial performance of the Company and the Group are also circulated to the Directors for their views and comments.</p> <p>Upon conclusion of the meeting, all proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of the Companies Act 2016. All minutes of meetings would be circulated to Directors on a timely manner. Minutes of meetings of each Committee are also tabled to the Board for perusal and the Directors may request clarification or raise comments on the minutes wherever necessary.</p> <p>Key decisions are always made in Board meetings with Directors' Circular Resolutions confined to formalising matters that have been discussed at Board meetings.</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

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	:	<p>The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves as a source reference and primary induction literature, providing insights to prospective Board members and Senior Management. It clearly explains the relationship and interaction between the Board, Board Committees, individual Directors and Chief Executive Director. Hence, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.</p> <p>The Board Charter was adopted by the Board on 20 February 2013, and the last review was carried out in May 2018. The current Board Charter is accessible for reference on the Company's website.</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

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 Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Company has established the Code of Conducts and Ethics ("Code") to demonstrate its commitment in upholding appropriate standards of ethical conduct and behaviour at all levels of the Company's businesses. The Code sets out the principles and standards of business ethics and conduct of the Group and is to be observed by all employees, officers and directors of the Group.</p> <p>The Code covers amongst others, the following matters:</p> <ul style="list-style-type: none">• Conflict of Interest• Anti-bribery and Corruption• Inside Information and Securities Trading• Anti-Money Laundering and Anti-Terrorism Financing• Anti-Trust and Competition Laws• Intellectual Property• Corporate Responsibility• Equal Opportunity and Workplace Diversity• Anti-Harassment• Human Trafficking, Child and Forced Labour• Environment, Health and Safety• Business Records Integrity <p>The Board will review the Code regularly to ensure that it continues to remain relevant and appropriate. The Code is made available for reference by all employees, officers and directors of the Group in the Company's website.</p> <p>Additionally, the Board also adheres to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.</p>

	<p>The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct for Directors in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group and:</p> <ul style="list-style-type: none"> (i) acts in the best interest of, and fulfils their fiduciary obligations to the Group and its shareholders; (ii) acts honestly, fairly, ethically and with integrity; (iii) conducts themselves in a professional, courteous and respectful manner without taking improper advantage of their position; (iv) acts in good faith, responsibly, with due care, competence and diligence without allowing their independent judgement to be subordinated; (v) uses their prudent judgement to avoid/abstain from all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Group, and to inform the Board, at the earliest opportunity, of any existing or potential conflict of interest situation; (vi) not exploit for his own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the Group declines to pursue such opportunity for its business interest; (vii) acts to enhance and maintain the reputation of the Group; and (viii) strives to contribute towards the growth and stability of the Group. <p>The Code of Conduct for Directors is also available on the Company's website.</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

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 Group is committed to maintain high work standards and ethics in all of its practices. As whistleblowing is viewed positively by the Group as a means in ensuring the standards by which the Group subscribes to are upheld and maintained at the highest level, the Group has adopted a Whistleblowing Policy to enable stakeholders to raise in confidence possible corporate misdemeanours without fear of intimidation or reprisal.</p> <p>The Whistleblowing Policy provides an avenue for stakeholders to raise a legitimate concern about any actual or suspected improprieties involving the resources of the KLK Group at the earliest opportunity for expeditious investigation. The Group is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.</p> <p>The details of the Whistleblowing Policy are available on the Company's website.</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

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	:	Applied
Explanation on application of the practice	:	<p>The Board has eight (8) members, comprising two (2) Executive and six (6) Non-Executive Directors, five (5) of whom are Independent. One of the Executive Directors is the CEO and the Chairman is an Independent Non-Executive Director. The composition of the Board meets the Main Market Listing Requirements of Bursa Malaysia Securities Berhad of at least one-third (1/3) of the board being independent and this Practice of the Board comprising a majority of independent Directors.</p> <p>The majority of the Board comprises Independent Directors who are essential in providing unbiased and independent opinion, advice and judgement and thus play a key role in corporate accountability. All Independent Directors act independently of Management and are not involved in any other relationship with the Group that may impair their independent judgement and decision-making.</p> <p>The composition and size of the Board is reviewed annually to ensure its appropriateness and effectiveness.</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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>R. M. Alias and Dato' Yeoh Eng Khoon have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years.</p> <p>The Nomination Committee ("NC") and the Board hold the view that a Director's independence cannot be determined solely with reference to tenure of service. Instead, a Director's health, attitude, integrity, ability for dispassionate discourse, business knowledge or judgement, and the discharge of his duties and responsibilities in the best interest of the Kuala Lumpur Kepong Berhad Group, are also valid criteria to determine his independence and effectiveness. Furthermore, board composition should reflect a balance between effectiveness on the one hand, and the need for renewal and fresh perspectives on the other.</p> <p>In this respect, the NC and the Board have carried out an annual assessment on the independence of R. M. Alias and Dato' Yeoh Eng Khoon, who have served on the Board as Independent Directors, each exceeding a cumulative term of nine (9) years, based on the criteria as set out in the Main Market Listing Requirements. As the NC and the Board concluded that they remain unbiased, objective and independent in expressing their opinions and in participating in the decision-making of the Board, the Board, upon the recommendation of the NC, has approved the continuation of R. M. Alias and Dato' Yeoh Eng Khoon as Independent Directors of the Company based on the following justifications:</p> <ul style="list-style-type: none">(a) each of them fulfils the criteria of an independent director pursuant to the Main LR;(b) each of them is familiar with and has wide experience relating to the Company's business operations;

	<p>(c) each of them has devoted sufficient time and attention to his responsibilities as an independent director of the Company; and</p> <p>(d) each of them has exercised due care during his tenure as an independent director of the Company and carried out his duty in the best interest of the Company and shareholders.</p> <p>The Board concluded that the length of their service on the Board had not in any way interfered with their objective and independent judgement in carrying out their roles as members of the Board and Committees. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group’s businesses and operations enable them to make significant contributions actively and effectively to the Company’s decision-making during deliberations or discussions.</p> <p>The Board is able to observe the conduct and behaviour of the Independent Directors through their regular interactions and discussions with the Independent Directors. Hence, the Board concluded that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interest of the Company and bringing independent and professional judgement to Board’s deliberations.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: The NC and the Board will carry out an annual independence assessment to evaluate and determine whether the Independent Director can continue to perform his/her duties without being subjected to undue influence.</p> <p>In assessing whether the Independent Director continues to be “independent in mind”, the NC and the Board will consider if the Independent Director displays some of the following key characteristics:</p> <ul style="list-style-type: none"> • possesses sufficient self-esteem and confidence to stand-up for an independent point of view; • approaches any transaction that requires board’s approval with a watchful eye and an inquiring mind; • is unafraid to express an unpopular stance on issues or express disagreement on matters, and actively pursues them with the rest of the Board and with the management team; and • does not shy away from asking hard and uncomfortable questions during board deliberations and willing to delve deeper if the responses provided are not satisfactory.
<p>Timeframe</p>	<p>: Others</p>

Intended Outcome

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

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 Nomination Committee (“NC”) oversees the selection and assessment of Directors to ensure the Board’s composition remains relevant and optimal. Each year, the NC reviews the composition and size of the Board and each Board Committee and the skills and core competencies of its members to ensure an appropriate balance and diversity of skills and experience. The NC also takes into account gender diversity in relation to the composition of the Board.</p> <p>Apart from reviewing the size, composition and diversity of the Board annually, the NC also assesses the suitability of identified candidates for membership of the Board and its Committees. The criteria for selection thereto would include but not be limited to the candidates’ skills, knowledge, expertise, experience, professionalism and integrity. The NC is also responsible for developing succession plans to identify potential and suitable successors for key Senior Management positions in the Group.</p> <p>The Board aims to create a diverse Board in terms of race, religion, gender, regional and industry experience, cultural and geographical background, ethnicity, age and perspective. Hence, the Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.</p> <p>The current diversity in the race/ethnicity, age and gender of the current Board is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Race/Ethnicity</th> <th colspan="2">Gender</th> <th colspan="3">Age Group</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Male</th> <th>Female</th> <th>Below 59</th> <th>60 - 69</th> <th>70- 89</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>2</td> <td>6</td> <td>7</td> <td>1</td> <td>1</td> <td>5</td> <td>2</td> </tr> </tbody> </table> <p>Having assessed the size, composition and diversity of the Board annually, the NC and the Board confirmed that the existing Board’s composition has the requisite competencies and capacity to effectively discharge its functions and responsibilities.</p>		Race/Ethnicity		Gender		Age Group			Malay	Chinese	Male	Female	Below 59	60 - 69	70- 89	Number of Directors	2	6	7	1	1	5	2
	Race/Ethnicity			Gender		Age Group																			
	Malay	Chinese	Male	Female	Below 59	60 - 69	70- 89																		
Number of Directors	2	6	7	1	1	5	2																		

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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board acknowledges the importance of boardroom diversity and the recommended practice pertaining to the establishment of a gender diversity policy. Despite no specific targets being set in relation to boardroom diversity, the Board is committed to improving boardroom diversity in terms of race, religion, gender, regional and industry experience, cultural and geographical background, ethnicity, age and perspective.
		The Board continues to source for suitably qualified female candidates via independent sources or search firms for appointment to Kuala Lumpur Kepong Berhad Board in order to achieve 30% female representation on the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>The Board aims to have a 30% female representation on the Board. Hence, the Board will consider the appointment of additional female Director(s) as and when there are right candidates available.</p> <p>The Board will also take steps to nurture suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.</p>
Timeframe	:	Others

Intended Outcome

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	:	<p>The Nomination Committee (“NC”) is responsible to identify and recommend the right candidate with the necessary skills, experience and competencies to be filled in the Board and Board Committees. Recruitment matters are discussed in depth by the NC before the entire Board makes the final decision on new appointments.</p> <p>The Board continues to use independent sources or search firms to identify suitably qualified candidates, instead of relying solely on the existing Board, Chief Executive Officer or major shareholders should the need arises.</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

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	:	<p>The Nomination Committee (“NC”) comprises three (3) Non-Executive Directors and is chaired by the Senior Independent Director (“SID”), Dato’ Yeoh Eng Khoon who is appointed by the Board.</p> <p>The appointment of Chairman of the NC is set out in its Terms of Reference (which last review was carried out in May 2018), whereas the functions of a SID are set out in the Board Charter, both of which are available on the Company’s website.</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

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	:	<p>During the year under review, the Board formalised an annual written Board evaluation of the performance of the Board, its Board Committees and each individual Director. The Nomination Committee ("NC") conducted the assessments through a series of questionnaires which is divided into two (2) parts, ie. Part 1 - Director Self-Assessment; and Part 2 - Board of Directors and Board Committees Evaluation.</p> <p>The Board evaluation process comprised of both assessment and review, including analysis of how the Board and its Board Committees are functioning, the time spent by the Board considering matters, whether the terms of reference of the Board Committees have been met, and compliance with provisions of law. The Chairman of the NC analysed the responses from the Board members. The summarised results were then tabled to NC for review and for NC to identify areas for improvement. The NC's findings were subsequently presented to the Board for review and discussion in order to develop an agreed action plan for improvement.</p> <p>In order to encourage open and frank assessment, the evaluation process was managed by the Company Secretary, who collated the duly completed forms from each individual Director and referred the same to the Chairman of NC on a no-name basis.</p> <p>Based on the findings from the Board evaluation, the Board and Board Committees, as well as the individual Directors, have discharged their roles and responsibilities in accordance with their respective charters and terms of reference.</p> <p>The Board noted the recommendation for Large Companies to engage independent experts periodically to facilitate objective and candid board evaluations. As the Board is satisfied with the current evaluation methodology and the findings rendered, the Board has concluded that there is no urgent need for the Company to engage an independent expert for the annual board evaluation.</p>

	The Board will continue with the existing practice of annual board evaluation and an independent third party will be appointed to conduct or facilitate in the evaluation process of the Board and Board Committees as and when deemed necessary.	
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

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	:	<p>The Board has in place a formal Remuneration Policy for Directors and Senior Management (“Policy”). The Policy establishes a formal and transparent procedure for developing a structure for the remuneration of Directors and Senior Management of the Company with the objective of supporting and driving business strategy and the long-term interests of the Company.</p> <p>The aim of the Policy is to:</p> <ul style="list-style-type: none"> (i) determine the level of remuneration of Directors and Senior Management; (ii) attract, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with their responsibilities and contributions, and be competitive with the industry; and (iii) encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders. <p>The Board, through the Remuneration Committee (“RC”) will conduct a periodic review of the criteria to be used in recommending the remuneration package of Directors and Senior Management to ensure that it is in line with current market practices and needs. The Policy is accessible on the Company’s website.</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	:		
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Intended Outcome

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 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	:	<p>The Board has established a Remuneration Committee ("RC") since 1994 to structure and review the remuneration policy for executives of the Group, and to ensure that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value. The RC's recommendations on the remuneration package for Senior Management and that for the CEO, are subject to the approval of the Board, and in the case of Non-Executive Directors' fees including Board Committees' fees, the approval of the shareholders.</p> <p>The RC comprises three (3) members, all of whom are Non-Executive Directors and a majority of whom are Independent. The roles and responsibilities of the RC are provided in its Terms of Reference (which last review was carried out in May 2018) and is available on the Company's website.</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

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 details of the remuneration of Directors during the year under review are as follows:					
	Category	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Benefits-In-Kind¹ (RM'000)	Other Emoluments² (RM'000)
	Executive Director					
	1. Tan Sri Dato' Seri Lee Oi Hian	-	4,110	3,425	95	1,352
	2. Lee Jia Zhang^	-	316	-	-	84
	Non-Executive Directors					
	1. R.M. Alias *	515	-	-	35	16
	2. Dato' Lee Hau Hian	270	-	-	-	11
	3. Dato' Yeoh Eng Khoon	290	-	-	7	18
	4. Kwok Kian Hai+	90	-	-	-	2
	5. Tan Sri Azlan Bin Mohd Zainol	280	-	-	-	19
	6. Quah Poh Keat	265	-	-	-	12
	7. Anne Rodrigues	261	-	-	-	14
	1 Benefits-In-Kind include company car, petrol, driver, medical, insurance coverage and business travel					
	2 Other emoluments include meeting allowance, travelling allowance, employer's Employees Provident Fund, SOCSO, Employment Insurance					

	<p>System contributions and other claimables and reimbursables for the purpose of enabling the Directors to perform their duties</p> <ul style="list-style-type: none"> * Chairman of the Board ^ Appointed on 16 May 2018 + retired on 13 February 2018 <p>The detailed disclosure allows shareholders to make an informed decision when voting on the approval of Directors' remuneration and foster confidence in investors by allowing them to understand the Company's basis and motivation behind their remuneration framework.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company does not comply with the recommendations to disclose the detailed remuneration of the top five Senior Management (ie. the top five highest paid executives) in bands of RM50,000 on a named basis by virtue of the sensitivity associated with the disclosure of such information. The Board is of the opinion that it is important for the Group to preserve confidentiality of such information in order to avoid any negative impact vis-a-vis recruitment and talent retention arising from such disclosure.</p> <p>Management had benchmarked the remuneration package of the Company's Senior Management with the industry standards. With the existing robust internal process, the Board believes that the remuneration of the top five Senior Management is fair and in line with market practices as the remuneration packages are justified by individual performance, job responsibilities and the Group's performance against financial objectives.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will continue evaluating the implications of such disclosure and will make the necessary disclosure provided that it is in the best interest of the Group to do so.
Timeframe	:	Others

Intended Outcome

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

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	:	<p>The Audit and Risk Committee ("ARC") comprises four (4) members who are exclusively Independent Non-Executive Directors and is chaired by Dato' Yeoh Eng Khoon who is not the Chairman of the Board.</p> <p>The Board believes that the separation of the positions of the Chairman of the Board and of the ARC enables the Chairman of the ARC to devote sufficient time to the affairs of the ARC.</p> <p>Being the Chairman of ARC, Dato' Yeoh Eng Khoon is responsible to promote robust and open deliberations during ARC meetings, to maintain active ongoing dialogue with management and both internal and external auditors, and to ensure that the ARC meetings are conducted efficiently with each agenda items being thoroughly and thoughtfully discussed by all members of the ARC.</p> <p>He is also the key contact between the ARC members and members of the Board, as well as Senior Management and the auditors.</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

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 years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit and Risk Committee (“ARC”) has revised its Terms of Reference on 16 May 2018 and put in place a policy to include a cooling-off period of at least two years before a key audit partner could be appointed as a member of the ARC. The terms of Reference of the ARC is available at the Company’s website.</p> <p>The Board has not appointed any former key audit partner as a member of the ARC.</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

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	:	<p>The Audit and Risk Committee (“ARC”) plays a crucial role in evaluating the performance of the external auditors. Assessment on the performance of the external auditors was carried out at the ARC meeting based on the independence and capabilities of the external auditors as well as the effectiveness of the audit process. The ARC meets the external auditors without the presence of the Executive Directors and Management, whenever necessary, or at least once a year, to allow for the exchange of independent views on matters which require the Committee’s attention.</p> <p>The present External Auditors, Messrs. KPMG PLT will retire at the forthcoming Annual General Meeting of the Company. The ARC, having assessed the qualification and capabilities of several audit firms (which includes their reputation and presence in the industry, qualifications and independence of its professionals, networking ability and competency to evaluate overseas subsidiaries not audited by the firm and the internal quality control processes in place) recommended to the Board for the appointment of Messrs. BDO as External Auditors, in place of the retiring External Auditors, Messrs. KPMG PLT.</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

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	:	Adopted
Explanation on adoption of the practice	:	<p>The Audit and Risk Committee ("ARC") consists of four (4) members, who are all Independent Non-Executive Directors. The members of the ARC are as follows:</p> <p>Dato' Yeoh Eng Khoon (Chairman) - Senior Independent Non-Executive Director</p> <p>Tan Sri Azlan Bin Mohd Zainol - Independent Non-Executive Director</p> <p>Quah Poh Keat - Independent Non-Executive Director</p> <p>Anne Rodrigues - Independent Non-Executive Director</p>

Intended Outcome

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	:	<p>The Audit and Risk Committee ("ARC") comprises members from diverse backgrounds with extensive experience in accounting, law, risk management, banking, finance, taxation etc. to meet their responsibilities and contribute diverse perspectives that strengthen the quality of deliberations. The ARC members, Dato' Yeoh Eng Khoon has degrees in Economics and Law, while Tan Sri Azlan Bin Mohd Zainol, Mr. Quah Poh Keat and Mrs. Anne Rodrigues are members of the Malaysian Institute of Accountants.</p> <p>The members of the Board including the ARC members, had attended various programmes to keep abreast with general economic, industry and technical developments as well as changes in legislation and regulations affecting the Group's operations. In-house briefings by external auditors, solicitors and/or Management are also organised from time to time to update Directors on relevant statutory and regulatory requirements and the Group's business and operational practices.</p> <p>Details of the training and seminars attended by the Directors during the financial year under review are set out in the Corporate Governance Overview Statement in the Annual Report 2018 of the Company.</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	:		
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Intended Outcome

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	:	<p>The Board acknowledges the importance of a sound risk management system and internal control, and is supported by the Audit and Risk Committee ("ARC") and Group Risk Management Committee (headed by the Chief Executive Officer) respectively to ensure the risks in the Group are identified and managed with the appropriate risk management system. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.</p> <p>In this respect, the Board is briefed on any potential fraud, whistleblowing and internal audit findings in order to enable them to assess the integrity of the Group's financial information and the adequacy and effectiveness of the Group's system of internal control and risk management processes.</p> <p>A formal risk management framework has been established with the aim of setting clear guidelines in relation to the level of risk acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives.</p> <p>In addition, the Group has in place an on-going process for identifying the principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.</p> <p>Having reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the financial year under review, the Board is of the opinion that the risk management and internal control system is operating adequately and effectively.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>The Board via the Audit and Risk Committee ("ARC") reviews and monitors the risk management framework and policies of the Group, which include the reviewing of the Group's procedures for detecting fraud and ensuring that arrangements are in place by which an employee or third party may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters. The ARC also assists the Board to review and assess the scope and effectiveness of the systems and processes established by the Group Risk Management Committee ("GRMC") to identify, assess, manage and monitor financial and non-financial risks; oversee execution of the processes; and ensure the systems and processes are continuously improved as the business environment changes.</p> <p>Additionally, the ARC oversees the conduct, and reviews the results of company-wide risk assessments including the identification and reporting of critical risks. The ARC also advises the Board on the Group's current risk exposures and future risk strategy based on its overall risk appetite and tolerance, and coordinates the activities of the various standing board committees for risk oversight.</p> <p>The ARC is also responsible for reviewing reports on any material breaches of risk limits and the adequacy, timeliness and effectiveness of any corrective action taken by the GRMC in response to risk and provide timely input to the GRMC on critical risk issues. The GRMC will be engaged in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise.</p> <p>Further details on the features of the risk management and internal control framework are provided in the Statement on Risk Management and Internal Control in the Annual Report 2018.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

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	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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	<p>The Group has an independent in-house Internal Audit Division (“IAD”) whose primary function is to assist the Audit and Risk Committee (“ARC”) in discharging its duties and responsibilities. Currently, there are a total of 58 internal auditors across the Group.</p> <p>The IAD’s role is to provide the ARC with independent and objective reports on the adequacy and effectiveness of the internal controls and procedures in the operating units within the Group and the extent of compliance with the Group’s established policies, procedures and guidelines, and also compliance with the applicable laws and regulations.</p> <p>The Internal Audit’s activities are guided by the Internal Audit Charter and the IAD adopts a risk-based approach focusing on high risks areas. The IAD conducts regular and systematic reviews on the effectiveness of key controls and processes in the operating units to provide reasonable assurance that such systems would continue to operate satisfactorily and effectively.</p> <p>For the financial year under review, the IAD conducted audit assignments on various operating units in Malaysia, Indonesia, China, Europe and Liberia. The audit reports incorporating audit recommendations and management responses on the control issues were submitted to the Committee on a quarterly basis. Periodic follow-up audits were carried out where appropriate to ensure recommendations for corrective actions were implemented and enforced.</p> <p>The IAD had reviewed the quarterly financial reports to ensure disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and Main LR. IAD had participated in User Requirement Study and System Design on the implementation of new IT systems in the Group to ensure that pertinent controls are adequately in place. IAD will continue to leverage on data analytics tools to improve the efficiency and effectiveness of data retrieval and analytics capabilities for the audit processes.</p> <p>IAD had conducted in-house audit training for auditors to enhance competencies and practices. IAD also conducted training for the operating units’ personnel to enhance their internal control awareness.</p>

	<p>To ensure the internal audit function is effective and able to function independently, the ARC:</p> <ul style="list-style-type: none"> (a) reviews the appraisal or assessment of the performance of staff members of the Internal Audit Function division; (b) recommends to the Board for the approval of the appointment of the Head of Internal Audit; (c) approves any appointment or termination of senior staff members of the Internal Audit Function division; and (d) takes cognizance of staff members' resignations from Internal Audit Function division and provide the resigning staff member an opportunity to submit his/her reason for resigning. 	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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	:	<p>The Internal Audit Division (“IAD”) reports directly to the Audit and Risk Committee (“ARC”) of the Board and is independent from the operational activities of the Group and its subsidiaries. The Head of IAD and their audit personnel do not hold any managerial authority and responsibility over the operations that internal audit covers in its scope of work.</p> <p>IAD has 58 experienced audit personnel with relevant qualifications across the Group. The Head of IAD, Mr. Terrence Lim Tou Sean is an Associate member of the Institute of Internal Auditors Malaysia and has a Bachelor’s Degree in Economics from University of Adelaide. He is also a member of the Malaysia Institute of Accountants. He started his career as an external auditor in one of the big four accounting firms and later on moved to the internal audit departments of various public listed financial institutions in Malaysia and Singapore. Mr. Lim has in total 36 years of internal and external audit experiences.</p> <p>The activities of the IAD function are guided by the Internal Audit Charter and the Annual Audit Plan approved by ARC. The IAD adopts a risk-based auditing approach, which is in line with the International Professional Practices Framework issued by the Institute of Internal Auditors.</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	:		
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Intended Outcome

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	:	<p>KLK upholds a strong culture of continuous, timely and equal dissemination of material information with shareholders, stakeholders, media and regulators through practicable and legitimate channels. Its commitment, both in principle and practice, is to maximise transparency consistent with good corporate governance, except where commercial confidentiality dictates otherwise.</p> <p>The Board ensures the Company's Annual General Meetings ("AGM") are conducted in an efficient manner in order to serve as the principal forum for dialogue and interaction with the shareholders of the Company. At AGMs, shareholders are encouraged to present their views or to seek clarification on the progress, performance and major developments of the Company. The Chairman also plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Senior Management.</p> <p>The Company adopted electronic poll voting at general meetings for greater transparency and efficiency in the voting process. All shareholders were briefed on the voting procedures by the poll administrator and an independent external party was also appointed as scrutineers for the electronic poll voting process. The Chairman announced the voting results of all resolutions tabled before the closure of each general meetings and the results were released to Bursa Malaysia immediately after the meetings to enable the public to know the outcome thereof. The summary of AGM proceedings was also made available on the Company's website.</p> <p>The Company and the Group have consistently been able to publish its Annual Reports in a timely manner. The Notice of AGM is circulated more than 30 days before the date of the meeting to enable shareholders to thoroughly review the Annual Report which contains comprehensive reports on the Group's financial performance, directions and insights. Such active step of serving the Notices of AGM earlier than the minimum notice period allows shareholders ample time in planning their meeting attendance as well as enables institutional shareholders who hold shares through custodians, to communicate voting instructions to the custodian and ensure that these are acted on.</p>

	<p>The Board also recognises the importance of keeping shareholders, investors, research analysts, bankers and the press informed of the Group's business performance, operations and corporate developments. The Board's primary contact with major shareholders is via the Chief Executive Officer and the Group Chief Financial Officer, who have regular dialogues with institutional investors and deliver presentations to analysts periodically.</p> <p>The Company's website, www.klk.com.my serves as a channel of communication for shareholders, investors and the general public. Information such as disclosures made to Bursa Malaysia Securities Berhad (including interim and full year financial results, Annual Report and other announcements on relevant transactions undertaken by the Group), Company Profile, Corporate Information, Group Policies, Corporate Mission & Values, the respective Terms Of References of the ARC and NC, Corporate Disclosure Policy and an overview of the Group's business activities etc., can be obtained from the website. Requests for information on the Company can be forwarded to its dedicated Investor Relations & Corporate Communications Department through the same website.</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

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 had embedded some important elements of integrated reporting in the Company's Annual Report 2018 to comply with the requirements of the Global Reporting Initiative Standards: Core option. This demonstrates the Company's aspirations towards the adoption of integrated reporting to provide information on how the Company's strategy, performance, governance and prospects lead to value creation.
		The Board of Directors believes that the Company's existing reporting standards are sufficiently concise and clear to enable stakeholders to make informed decisions with respect to the business and direction of the Company, its policies and governance, the environment and social responsibility.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Having considered the importance of full adoption of integrated reporting, the Company will review the need to put in place policies which adopt integrated reporting based on a globally recognised framework at the appropriate time.
Timeframe	:	Others

Intended Outcome

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 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company and the Group have consistently been able to circulate its notice for an Annual General Meeting (“AGM”) to the shareholders at least 28 days prior to the meeting, well in advance of the 21 day requirement under the Companies Act 2016 and the Main LR of Bursa Securities. Such active step of serving the notices of AGM earlier than the minimum notice period allows shareholders ample time in planning their meeting attendance as well as enables institutional shareholders who hold shares through custodians, to communicate voting instructions to the custodian and ensure that these are acted on.</p> <p>The notice for an AGM is accessible by the shareholders via Bursa Malaysia Securities Berhad’s website as well as the Company’s website. The said notice is also advertised in one (1) nationally circulated daily newspapers such as The Star.</p> <p>The Company also provides details of the AGM to the shareholders regarding the eligibility of the shareholders, their rights to appoint proxies and other relevant information pertaining to the AGM. In addition, there are explanatory notes providing detailed explanations for each resolution to be tabled to enable shareholders to make informed decisions in exercising their voting rights.</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

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	:	<p>At the 45th Annual General Meeting (“AGM”) of the Company held on 13 February 2018, all the eight (8) Directors attended the AGM. Amongst them, two (2) Directors were the Chairmen of the Audit and Risk Committee, Nomination Committee and Remuneration Committee. The Senior Independent Non-Executive Director acted as a point of contact for shareholders and other stakeholders at the AGM.</p> <p>The proceedings of the 45th AGM included addressing all issues raised by the shareholders and Minority Shareholder Watchdog Group in relation to the operational and financial performance of the Kuala Lumpur Kepong Berhad (“KLK”) Group and further clarifications of the proposed resolutions, before putting such resolutions to vote.</p> <p>The extract of the minutes of AGM is made available to the shareholders and public for viewing at the Company’s website.</p> <p>Having considered the importance of maintaining good rapport with shareholders, the Company convened an Extraordinary General Meeting (“EGM”) during the year under review to provide shareholders an additional opportunity to raise questions or seek clarification from the Board on the adoption of the Company’s new Constitution. The adoption of the new Constitution was undertaken primarily to streamline the Memorandum & Articles of Association of the Company with the Companies Act 2016 and Main LR. This general meeting had provided an avenue for shareholders to communicate directly with the Board in a meaningful discussion on the specified agenda. It also allowed the Board to stay focused on the sole agenda of the meeting and enabled better anticipation of shareholders’ concern and contentious issues on the specified matter.</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	:		
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Intended Outcome

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Annual General Meetings (“AGM”) of the Company were always held at an easily accessible venue to facilitate high shareholders’ attendance. Shareholders who are unable to attend general meetings may appoint any persons as their proxies to attend, speak and vote on their behalf at the general meetings in accordance with the relevant provisions of the Constitution.</p> <p>The Company has adopted electronic poll voting in the poll voting process at the AGMs for greater transparency and efficiency purposes. All shareholders and proxies are given a personalised passcode embedded wrist band by the Share Registrar upon registration. Shareholders and proxies are briefed on the voting procedures by the poll administrator and an independent external party is also appointed as scrutineer for the electronic poll voting process.</p> <p>The Company will continue study the availability and cost of relevant technology to facilitate an increase in voting participation per the recommendation of Practice 12.3.</p> <p>Shareholders may appoint any person(s) as their proxies to exercise all or any of their rights to attend, participate, speak and vote at a general meeting in accordance with the relevant provisions of the Company’s Constitution.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will continue exploring and identifying a suitable voting system to facilitate voting in absentia and remote participation by shareholders at general meetings. The Company will adopt this Practice when the required infrastructure, technical support and readiness of shareholders are in place.
Timeframe	:	Others

**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.

Not applicable.
