

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5077
COMPANY NAME : MALAYSIAN BULK CARRIERS BERHAD
FINANCIAL YEAR : December 31, 2017

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 PERSUANT 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>The Board has the overall stewardship responsibilities of providing:</p> <ul style="list-style-type: none">• strategic leadership The Board is responsible to lead and control the Group's strategic direction, objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives.• overseeing the business conduct A formal schedule of matters specifically reserved for the decision of the Board and Management has been established and this is contained in the Group's Financial Authority Limits. The matters reserved for the collective decision of the Board include:<ul style="list-style-type: none">- corporate/ strategic direction and major business proposals- major capital commitments, acquisition and disposal of assets and investments- commitment to loans and long/ short term financing with banks- capital structure of the Company- declaration of dividends• identification and management of principal risks ensuring the adequacy and integrity of internal control systems The Board recognises the importance of sound internal controls and risk management practices as integral to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and effectiveness of the internal control and risk management systems to ensure that shareholders' investment and the Group's assets are safeguarded.• establishing a succession plan

	<p>The Board seeks to ensure that the members of Management team are qualified, professional and have competence to lead the operations of the Group.</p> <ul style="list-style-type: none"> developing and implementing an investor relations program. <p>The Board is committed in providing effective and timely communication with its shareholders, investors and other stakeholders. The Group's financial results, announcements, annual report and circulars are the primary modes of disseminating information in relation to the Group's business activities and financial information and this can be accessed from the Company's corporate website at www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.</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 is responsible for leadership, orderly conduct and working of the Board.</p> <p>The Chairman:</p> <ul style="list-style-type: none"> • provides leadership for the board so that the Board may perform its responsibilities effectively; • sets agenda for meetings and ensures that Board members receive accurate information in timely manner • leads board discussions and encourages active participation from Board members at the Board meetings; • leads the Board in establishing good corporate governance practices 	
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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman and Chief Executive Officer (CEO)'s position are held by separate individuals. There is a distinct division of roles and responsibilities of the Chairman and CEO to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Chairman of the Board is responsible for leadership, orderly conduct and working of the Board, whereas the Chief Executive Officer is responsible for the management of the Group's business.	
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 Company Secretary of the Company is a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretary:</p> <ul style="list-style-type: none">• facilitate and attend all meetings of the board and board committees, and ensure that meetings are properly convened and proceedings are properly recorded.• maintain all corporate records required under the Companies Act and ensures compliance with all reporting obligations under the applicable law and regulations.• communicate Board decisions to Management• advise the Board on its roles and responsibilities <p>The Company Secretary constantly keep abreast with the latest developments in corporate governance and compliance and has attended seminar/professional programmes in relation to Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance during the year.</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>The Board is supplied with information in a timely manner. The agenda and full set of board papers are distributed at least one (1) week prior to the meeting of the Board to ensure that sufficient time is given to the Directors to review the matters to be discussed. This includes various reports covering market conditions, outlook, investment opportunities and financial performance.</p> <p>The Directors have full and unrestricted access to the advice and services of the Company Secretary. Directors may also obtain independent professional advice, where necessary, in furtherance of their duties at the Company’s expense.</p> <p>The deliberations and decision of those matters discussed at the Board Meetings are duly recorded in the meeting minutes. Decisions of the Board are also communicated to the Management for their further action.</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company currently do not have a board charter.</p> <p>The role and responsibilities of the board, board committees, individual directors and management are as follows:</p> <ul style="list-style-type: none"> • Executive Directors are involved in leadership roles overseeing the day-to-day operations and management within their specific areas of expertise or assigned responsibilities. • Non-executive directors are not involved in the day-to-day management of the Group but they contribute their particular expertise and experience in developing the business strategy. • A formal schedule of matters specifically reserved for the decision of the Board and Management has been established and this is contained in the Group's Financial Authority Limits. • The Board has delegated specific responsibilities to two (2) committees, namely, the Audit Committee and the Nomination & Remuneration Committee, both of which discharge duties and responsibilities within their respective terms of reference. • The matters reserved for the collective decision of the Board are as follows: <ul style="list-style-type: none"> - corporate/ strategic direction and major business proposals - major capital commitments, acquisition and disposal of assets and investments - commitment to loans and long/ short term financing with banks - capital structure of the Company - declaration of dividends

<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	:	The Board is committed to maintain a corporate culture with good ethical conduct. This is formalised through the Company’s Code of Ethics and Code of Conduct which are set out in the Company’s Employment Handbook. The handbook covers matters in relation to conflict of interest, entertainment and gifts, misuse of position, insider trading and misconduct. The directors and employees of the Group are expected to adhere to the standard of ethics and conduct set out therein.	
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

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board is committed to promote good business conduct and maintain a corporate culture with integrity, transparency and fairness.</p> <p>The Company do not have whistleblowing policy in place. All employees of the Company are encouraged to report to their Superiors or HR business partner, any breach or suspected breach of any law or regulation. Such employee who makes the report shall not be subject to unfair dismissal or demotion.</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

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	:	<p>The Board currently comprises of three (3) Executive Directors, two (2) Non-Executive Directors and three (3) Independent Non-Executive Directors. The number of Independent Directors complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires one-third of the Board to be independent.</p> <p>The three (3) Independent Non-Executive Directors have been able to provide an unbiased, independent and objective views and judgement during board meetings and deliberations on all matters concerning the Group. The Nomination & Remuneration Committee has assessed the board composition and is satisfied that the current size and composition has the required mix of skills, experience, knowledge and competencies, required for an effective Board.</p>	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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>The tenure of Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr Tay Beng Chai, as Independent Directors of the Company, have exceeded 12 years term. Notwithstanding the tenure, the Board is of the view that they continue to be independent as:</p> <ul style="list-style-type: none">• they have met the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;• they have exercised care in performing their duties, and provided unbiased, independent and objective views and judgement during board meetings and deliberations on all matters concerning the Group;• the length of their service does not in any way impair their objective and independent judgement nor their ability to act in the best interests of the Group. On the contrary, their years of service on the Board have imbued them with a sound knowledge of the Group's business operations which enable them to participate actively and contribute during deliberations at board meetings. This together with their individual professional experience, awareness of corporate governance and business acumen, have contributed positively to the Board's deliberations on all matters of the Group. <p>The Board recommends that single tier shareholders' approval be sought at the upcoming Annual General Meeting to retain both Dato' Capt. Ahmad Sufian and Mr Tay Beng Chai, to continue to serve as Independent Directors Non-Executive Directors of the Company</p>

	As the 2 tier voting process is different from the usual shareholders' voting rights in approving a resolution, the Company need to review its Constitution before adopting the 2 tier voting process. Under the Main Market Listing Requirements of Bursa Malaysia, the Company has until 31 December 2019 to amend its Constitution. The Company will review and consider to incorporate/adopt the 2 tier voting process into its Constitution in due course.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - 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>Appointment of board and senior management are based on their experience, character, integrity and competence.</p> <p>During the year 2017, the Nomination and Remuneration Committee (NRC) reviewed the 2 candidates for appointment as alternate directors to Executive Directors. In assessing the suitability of the candidates, the NRC considers the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidates.</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 4.5

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 believe that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence. The Company currently has one (1) female director, Puan Afidah binti Mohd Ghazali on its board and Ms Thai Kum Foon, who is an alternate director, out of the total nine (9) directors.	
<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 4.6

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 & Remuneration Committee (NRC) is responsible for recommending suitable candidates for directorships to the Board. In evaluating potential candidates, the NRC consider candidates' skills, knowledge, expertise, experience, professionalism and integrity. In the case of candidates for the position of Independent Non-Executive director, NRC evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Director</p> <p>In searching for suitable candidates, the NRC consider candidates proposed by Directors and shareholders. The NRC is also open to referrals from external sources available.</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	:	The Chairman of the Nomination & Remuneration Committee is Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid, an Independent Non-Executive Director.	
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

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>The NRC is responsible to assess the effectiveness of the Board and Board Committees as a whole and the contribution of each individual director and Board Committee member on annual basis.</p> <p>In 2017, the assessment was conducted internally using a self and peer rating model. The assessment consists of detailed questionnaires cover the area on board size and composition, mix of skills, experience, and core competencies of Directors, governance and integrity, effectiveness of board committees, participation and contribution at meetings and directors' training.</p> <p>Every Director and Board Committee member completes the questionnaires and submits it to the Company Secretary who then collates the results and table it to NRC. The NRC after reviews the results, submits its findings to the Board for assessment of the performance and effectiveness of the Board and Board Committees.</p> <p>The Board upon its annual assessment carried out for financial year 2017, concurred with the NRC that the composition of the Board is well balanced with the required mix of skills, experience, knowledge and competencies, required for an effective Board and that the Committees have carried out their duties in accordance with their terms of reference.</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 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 Nomination & Remuneration Committee reviews and evaluates the remuneration policy for Directors to ensure that it is in line with market norms and industry practice. The level of remuneration of the Directors is commensurate with the level of experience and responsibilities undertaken by them. The level of Directors' fees are benchmarked against the shipping related companies and mid cap companies listed on Bursa Malaysia Securities Berhad.</p> <p>The remuneration package of Management, the components of the remuneration package are linked to Company and individual performance.</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 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 in place a Nomination & Remuneration Committee (NRC) which comprises of a majority of Independent Non-Executive Directors.</p> <p>The NRC is responsible to review the level of remuneration of the members of the Board and Board Committees and ensure that they reflect the experience and level of responsibilities undertaken by them and in line with market practice. Subsequent to the review, NRC make recommendation to the Board. The remuneration is deliberated on and decided by the Board as a whole before being tabled for shareholders' approval at the AGM. The respective Director shall abstain from the deliberation and voting of his own remuneration.</p> <p>The Terms of Reference of NRC is published on the Company's website at www.maybulk.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

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 detailed disclosure on named basis for the remuneration of individual directors are set out on page 22 of the Company’s Annual Report.	
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

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	:	Applied	
Explanation on application of the practice	:	The Executive Directors are the Senior Management and their remuneration on a named basis is disclosed in the audited financial statements.	
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

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 positions of the Chairman of the Board and Audit Committee are held by separate individuals. Dato' Mohd Zafer Bin Mohd Hashim (Independent Non-Executive Director) is the Chairman of Audit Committee whilst Chairman of the Board is Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid.</p> <p>The Audit Committee discharged duties and responsibilities within its Terms of Reference. The Chairman of the AC briefed the Board on matters discussed and the outcome of deliberations of its meeting. The activities of Audit Committee are set out on pages 26 to 27 of the Company's Annual Report.</p> <p>The Terms of Reference of the Audit Committee is available on the Company's website at www.maybulk.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

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	:	None of the former key audit partner has been appointed as member of the Audit Committee.	
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>Under the Terms of Reference, the Audit Committee is responsible for assessing the effectiveness and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment, resignation or dismissal of the external auditor.</p> <p>The Audit Committee reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's work scope and results of the audit undertaken in relation to the audited financial statements of the Group for financial year ended 31 December 2017.</p> <p>During the financial year, the Audit Committee met with the external auditor namely, Ernst & Young, twice in the absence of Management. The Audit Committee has reviewed the performance and independence of Ernst & Young and is satisfied that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee. External auditors has also given declaration that they are and have been independent throughout the conduct of their audit engagement in accordance with the By-Laws (On Professional Ethics, Conduct and Independence) of the Malaysian Institute of Accountants.</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

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

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 members of Audit Committee have the relevant accounting and relevant experience in financial services industry to discharge its duties.</p> <p>All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. In 2017, the members of Audit Committee were briefed by external auditor, Ernst & Young on the following areas:</p> <ul style="list-style-type: none">• Financial Reporting developments;• Malaysia Companies Act 2016; and• Malaysian Code on Corporate Governance.	
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

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 recognises the importance of sound internal controls and risk management practices as integral to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and effectiveness of the internal control and risk management systems to ensure that shareholders' investment and the Group's assets are safeguarded.</p> <p>The internal control and risk management systems are designed to identify and manage risk rather than to eliminate the risk of failure to achieve business objectives. Therefore, these systems only provide reasonable, but not absolute assurance against any material misstatements, fraud or loss.</p> <p>The Board is directly involved in assessing the major risks associated with the Group's business.</p> <p>The Group's risk management process covering the Group's core business activities is an integral part of its daily activities in identifying, listing and evaluating the significant business risks faced by the Group. The process of reviewing the adequacy and effectiveness of the risk management process is incorporated within the Internal Audit function which reports to the Audit Committee of any weaknesses identified.</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

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 Audit Committee assists the Board in its responsibilities over the system of internal control. Its independence is assured by the current composition comprising all members who are Non-Executive Directors, majority of whom are Independent Non-Executive Directors. The Audit Committee has full access to and direct communication with the External and Internal Auditors in discharging its responsibilities.</p> <p>The Internal Auditors assist the Audit Committee with the examination and evaluation of the adequacy and effectiveness of the internal control system, including control environment, risk assessment process and operational control activities.</p> <p>During the financial year, Internal Auditors reviewed and conducted audits and assessed the adequacy of the system of internal controls over the following areas: finance, operations and mobile security. Six (6) Internal Audit Reports were issued and presented to the Audit Committee with the audit observations and recommended corrective actions. There were no significant deficiencies in controls detected.</p> <p>The Board has received assurance from Chief Executive Officer, Financial Controller, Heads of Commercial and Technical Division that the Group's risk management and internal control system are operating adequately and effectively.</p> <p>The Statement of Risk Management and Internal Control is disclosed on pages 28 to 30 of the Company's Annual Report.</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 9.3 - 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 Head of Internal Audit Department (IAD) reports directly to the Audit Committee. The IAD's scope is to undertake independent and objective reviews on the adequacy and effectiveness of Group's risk management and internal control system. The authority and responsibility of the IAD are described in the Internal Audit Charter.</p> <p>The Audit Committee reviews and approves the Annual Internal Audit Plan. On quarterly basis, IAD table their performance report to the Audit Committee, to ensure that internal audit works are on track and sufficient resources to carry out the audit work.</p> <p>The Audit Committee reviews the internal audit report, audit processes and results of the internal audit report, and ensure the processes or investigation undertaken and there is appropriate action taken up.</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

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	:	The IAD is staffed by a total of 9 internal auditors and is headed by Ms Celina Eng, Chief Governance Officer. She is Certified Internal Auditors ("CIA") and Chartered Accountants. The audit personnel are free from any relationships or conflicts of interest, which impair their objectivity and independence. The IA function adheres to the Code of Ethics and International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.	
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 11.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board recognises the importance of an effective communication channel and timely dissemination of accurate information pertaining to the Group's business activities and financial performance to its shareholders, investors and other stakeholders.</p> <p>The primary modes of disseminating the Group's business activities and financial performance are as follows:</p> <ul style="list-style-type: none"> • Annual Report of the Company; • Quarterly financial results • Announcements to Bursa Malaysia Securities Berhad • Company's website • Analysts briefing to provide overview of the Group's performance • Annual General Meeting <p>Any queries or concern about the Group's business and development can be conveyed through the Company Secretary, who would then refer the matter to the attention of the Board.</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

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	:	The Group does not fall within the definition of large companies as defined by the Malaysian Code on Corporate Governance.	
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 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Notice of 29th Annual General Meeting (AGM) is despatched to shareholders at least 21 days prior to the AGM, as prescribed by the Malaysia Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). This will allow sufficient time for shareholders to go through the Annual Report and make the necessary voting arrangements.	
		A copy of the Notice of AGM is also uploaded on the website of Bursa Malaysia.	
<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>All Directors attended the Company's AGM in 2017. The Chairman of the Board encouraged shareholders to participate during the AGM and to seek clarification about the performance and operations of the Group. External auditors were also present at the AGM to address any queries raised by the shareholders at the meeting.</p> <p>The Chairmen of respective Committees were present to address any questions that shareholders may have in relation to matters that fall under the purview of the Committees.</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 12.3

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	:	<p>The Company’s Annual General Meetings are held in Petaling Jaya and Kuala Lumpur, which is easily accessible to shareholders of the Company.</p> <p>A shareholder can vote in person or appoint proxies to attend and vote on his/ her behalf. The voting process at the AGM is by way of poll using electronic polling system.</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	:		

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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