

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5077
COMPANY NAME : MALAYSIAN BULK CARRIERS BERHAD
FINANCIAL YEAR : December 31, 2019

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>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 are outlined in the Board Charter. The Board has delegated specific responsibilities to three (3) committees namely, Audit Committee, Nomination & Remuneration Committee and Risk Management Committee. All the committees discharge their duties and responsibilities within their terms of reference.• 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 The Board seeks to ensure that the members of Management team are qualified, professional and have competence to lead the operations of the Group.• developing and implementing an investor relations program. The Board is committed in providing effective and timely communication with its shareholders, investors and other stakeholders. The Group's financial results, announcements, annual

	<p>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 website at http://www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at http://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>As outlined in the Board Charter, the responsibilities of the Chairman, amongst others, are as follows:</p> <ul style="list-style-type: none"> • to lead the Board in establishing and monitoring good corporate governance practices in the Company; • to ensure the efficient organisation and conduct of the Board's function and meetings; • to facilitate the effective contribution of all Directors at Board meetings; • to encourage active participation and allowing dissenting views to be freely expressed; and • to ensure effective communication with shareholders and relevant stakeholders. 	
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	:	<p>The Chairman and Chief Executive Officer (CEO)'s position are held by different 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.</p> <p>Their roles and responsibilities of the Chairman and CEO are defined in the Board Charter, which is available on the Company's website at http://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

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 Secretaries of the Company are Ms Tan Ai Ning and Ms Tai Yit Chan. Both of the Company Secretaries are a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretaries:</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 ensure compliance with all reporting obligations under the applicable law and regulations.• communicate Board decisions to Management.• advise the Board on its roles and responsibilities.• update the Board on the Company's application towards the best practices recommended by the Malaysian Code of Corporate Governance. <p>The Company Secretaries attended seminar/workshop in relation to Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad during the year to keep themselves updated on the changes of regulations or listing requirements.</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 within a reasonable period or 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. The board paper includes minutes of previous meeting and various reports such as market conditions, outlook, investment opportunities and financial performance.</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 in a timely manner to the Management for their further action.</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

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 has formalised a Board Charter in November 2018, which provides:</p> <p>(i) the respective roles and responsibilities of the Board, board committees, individual directors and management. The board committees have their own terms of reference which set out the authority, scope and responsibilities.</p> <p>(ii) the schedule of matters reserved for the Board's decision includes the following:</p> <ul style="list-style-type: none"> • review and approve corporate/ strategic direction and major business proposals; • review and approve major capital commitments, acquisition and disposal of assets and investments; • review and approve commitment to loans and long/ short term financing with banks; • review capital structure of the Company; • declaration of dividends; • the adoption of any significant change in accounting policies of the Company and Group; • the approval of annual audited financial statements and quarterly results; and • any other matters requiring the Board's approval under the financial authority limits adopted by the Company and Group. <p>A copy of the Board Charter is available on the Company's website at http://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	:		
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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 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 in the handbook.</p> <p>The Board has also adopted Anti-Corruption Policy in November 2018.</p> <p>A copy of the Code of Ethics of Directors and Anti-Corruption Policy are available on the Company's website at http://www.maybulk.com.my.</p>	
Explanation for departure	:		
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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 Board adopted a Whistle Blowing Policy on 23 August 2018. The Whistle Blowing Policy outlines the Group's commitment towards enabling the employees and external parties to raise concerns in a responsible manner regarding any wrongdoings or malpractices without fear of reprisal, and to have such concerns independently investigated. All the disclosures made under the policy will be handled with strict confidence.</p> <p>The policy aims to promote and maintain high standards of corporate governance within the Group.</p> <p>The Whistle Blowing Policy is available on the Company's website at http://www.maybulk.com.my.</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

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 comprises of eight (8) directors, of whom four (4) are Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, one (1) Chief Executive Officer and one (1) Executive Director.</p> <p>The four (4) independent 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.</p> <p>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>	
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

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>There are four (4) Independent Non-Executive Directors on Board. As at 31 December 2019, tenure of the two (2) Independent Non-Executive Directors, namely Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr Tay Beng Chai, have exceeded 12 years term.</p> <p>Based on the annual assessment carried out, the Board (except for Dato' Sufian and Mr Tay Beng Chai) is of the view that both Dato' Sufian and Mr Tay Beng Chai continue to be independent as:</p> <ul style="list-style-type: none">• they have met the criteria under the definition of Independent Non-Executive 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>and intend to retain both Dato' Sufian and Mr Tay Beng Chai, as Independent Non-Executive Directors of the Company and that the resolutions to retain the Independent Non-Executive Directors be tabled at the forthcoming AGM for shareholders' approval. The Board recommends that these resolutions be voted through a single-tier voting process, as every shareholder should exercise their voting rights on the same platform or level and each share shall entitled to one vote.</p>

	<p>The Board recognises the importance of the independence and objectivity in the decision-making process and will continue to assess and evaluate the Independent Non-Executive Directors to ensure that they:</p> <ul style="list-style-type: none"> • are independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. • have no family relationship with Directors or major shareholders of the Company. • have no conflict interest with the Company. • can exercise care in performing their duties, and provide unbiased, independent and objective views and judgement during board meetings and act in the best interest of the Company. 		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
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<p>Timeframe :</p>	<table border="1"> <tr> <td data-bbox="544 981 963 1068"></td> <td data-bbox="963 981 1426 1068"></td> </tr> </table>		

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 2019, the Nomination and Remuneration Committee (NRC) reviewed 2 candidates for appointment as Non-Independent Non-Executive Director and Independent Non-Executive Director. 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	:	<p>The Board does not have policies on gender diversity and targets in place.</p> <p>The Board believes that appointment of board members, regardless of gender, should be based on skills, experience, character, integrity and competence. In 2019, there is only one (1) female director, Ms Thai Kum Foon on the board, representing 12.5% of the board composition.</p> <p>Nevertheless, the Board understand the importance of having a diverse Board and is supportive in diversity in all aspects while at the same time seeking Board members of the highest calibre, and with the necessary strength, experience and skills to meet the needs of the Group.</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 4.6

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 new appointment to the Board. In evaluating potential candidates, the NRC consider candidates' skills, knowledge, expertise, experience, professionalism and integrity. In the case for the position of Independent Non-Executive Director, the NRC evaluates the candidates' ability to discharge such responsibilities/functions as expected from Independent Non- Executive Director.</p> <p>In 2019, the NRC reviewed 2 candidates for appointment as Non-Independent Non-Executive Director and Independent Non-Executive Directors before recommending the appointment to the Board for approval. The candidate for the position of Non-Independent Non-Executive Director was recommended by major shareholder/ director.</p> <p>For the appointment of Independent Non-Executive Director, the NRC utilised external independent sources in identifying suitable candidates as recommended by Principle 4.6 of the Malaysian Code on Corporate Governance.</p>	
Explanation for departure	:		
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<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	:		
<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>The NRC is responsible to assess the effectiveness of the Board and Board Committees and the contribution of each individual director and Board Committee member on annual basis.</p> <p>In 2019, 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 Secretaries who then collates the results and table the same 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 2019, 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 and senior management to ensure that it is in line with market norms and industry practice. The level of remuneration of the Directors and senior management is commensurate with the level of experience and responsibilities undertaken by them. The level of Directors' fees is benchmarked against the shipping related companies and mid cap companies listed on Bursa Malaysia Securities Berhad.</p> <p>The remuneration package of senior management are linked to the Company and individual performance.</p> <p>The Board had in February 2019 adopted a remuneration policy for Directors and Senior Management. The policy is to establish a framework for remuneration that is designed to:</p> <ul style="list-style-type: none"> (a) determine the level of remuneration packages of the Directors and Senior Management; (b) reward Directors and Senior Management commensurate with the contribution, experiences and level of responsibilities undertaken by them; and (c) attract and retain the right talent in the Board and Senior Management in order to drive the Company's long-term objectives. <p>The policy is available on the Company's website at http://www.maybulk.com.my</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

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 majority 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 before being tabled for shareholders' approval at the Annual General Meeting. The respective Director shall abstain from the deliberation and voting of his own remuneration.</p> <p>The Terms of Reference of NRC is available on the Company's website at http://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 of the remuneration of individual directors are set out on page 29 of the Company's 2019 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 are set out on page 29 of the Company's 2019 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 7.3 - 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 (AC) are held by different 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 AC are set out on pages 32 to 33 of the Company's 2019 Annual Report.</p> <p>The Terms of Reference of the Audit Committee is available on the Company's website at http://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 (AC). The Terms of Reference of the AC has outlined that former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the AC.	
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 auditors.</p> <p>The Audit Committee reviews the suitability, objectivity and independence of the external auditors of the Company on an annual basis. The review process covers the assessment of the independence of the external auditors, 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 2019.</p> <p>During the financial year, the Audit Committee met with the external auditors namely, Ernst & Young, in the absence of Management. The Audit Committee has reviewed the performance and independence of Ernst & Young and is satisfied that the external auditors have been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee. External auditors have 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	:	
<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 composition of the Audit Committee are as follow, all of whom are Independent Non-Executive Directors :</p> <ul style="list-style-type: none">(1) Dato' Mohd Zafer Bin Mohd Hashim (Chairman)(2) Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid (Member)(3) Tay Beng Chai (Member)(4) Yeoh Khoon Cheng (Member)

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	:	The members of Audit Committee have accounting and financial background and relevant experience in financial services industry to discharge their duties and responsibilities. All members of Audit Committee have been updated and attended seminars/ workshops on Malaysian Financial Reporting Standards, Financial Reporting developments and Malaysian Code on Corporate Governance and Corporate Governance Guide during the year.	
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>Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, in the Company's 2019 Annual Report.</p> <p>The internal control mechanisms established by the Board are embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Internal Auditors to assess its adequacy 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

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 has disclosed the key features of its risk management and internal control framework as well as its adequacy and effectiveness in its Statement on Risk Management and Internal Control.</p> <p>The Statement on Risk Management and Internal Control is set out on pages 35 to 38 of the Company's 2019 Annual Report.</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	:	Adopted									
Explanation on adoption of the practice	:	<p>A Risk Management Committee (RMC) was established on 11 May 2018 to assist the Board in its oversight of the Group's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.</p> <p>The composition of RMC are as follows:</p> <table><tr><td>Tay Beng Chai</td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td>Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid</td><td>Member</td><td>Independent Non-Executive Director</td></tr><tr><td>Dato' Mohd Zafer Bin Mohd Hashim</td><td>Member</td><td>Independent Non-Executive Director</td></tr></table> <p>The Terms of Reference of RMC is available on the Company's website at http://www.maybulk.com.my.</p>	Tay Beng Chai	Chairman	Independent Non-Executive Director	Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	Member	Independent Non-Executive Director	Dato' Mohd Zafer Bin Mohd Hashim	Member	Independent Non-Executive Director
Tay Beng Chai	Chairman	Independent Non-Executive Director									
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	Member	Independent Non-Executive Director									
Dato' Mohd Zafer Bin Mohd Hashim	Member	Independent Non-Executive Director									

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. 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	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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	:	<p>In 2019, the IAD is staffed by a team of 9 internal auditors and is headed by Mr Lim Sze Chien, Head of Internal Audit, Compliance & Risk. He is Certified Internal Auditors (“CIA”) and Certified Practicing Accountant from CPA Australia. The audit personnel are free from any relationships or conflicts of interest, which impair their objectivity and independence.</p> <p>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.</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 11.1

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 made to Bursa Malaysia Securities Berhad;• company's website;• analysts briefing to provide overview of the Group's performance; and• annual general meeting <p>Any queries or concern about the Group's business and development can be conveyed through the Company Secretaries, who would then refer the matter to the attention of the Board.</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

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 Group does not fall within the definition of large companies as defined by the Malaysian Code on Corporate Governance.	
<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	:	Applied	
Explanation on application of the practice	:	<p>The Notice of 31st Annual General Meeting (AGM) will be despatched to shareholders 28 days prior to the AGM.</p> <p>The Notice of AGM would set out the resolutions to be tabled and provide detailed explanation on the resolutions to be decided at the AGM.</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>All Directors attended the Company's Annual General Meeting (AGM) held in 2019. 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	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Company’s Annual General Meetings are held in Petaling Jaya or Kuala Lumpur, which is easily accessible to shareholders of the Company.</p> <p>The number of registered shareholders is considered small by the Company. In view thereof, leveraging technology to facilitate voting in absentia and remote shareholders’ participation at the Annual General Meeting would result in a high cost and is deemed not practicable at this juncture.</p>	
		<p>Currently, shareholders whom are unable to attend and vote at the Annual General Meeting of the Company are encouraged to submit their proxy form to the Company, which would allow them to vote in absentia.</p>	
<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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