

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5250
COMPANY NAME : 7-Eleven Malaysia Holdings Berhad
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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 takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Company and enforces standards of accountability, all with a view to enabling Management to execute its responsibilities effectively.</p> <p>The Board assumes the following responsibilities to facilitate the Board in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none">a) Reviewing and adopting a strategic plan for the Company.b) Overseeing the conduct of the Company's business to determine whether the business is being properly managed.c) Identifying principal risks, setting of risk appetites, and ensuring the implementation of appropriate internal controls and mitigation measures.d) Succession planning of senior management positions are in place to provide for the orderly succession of senior management.e) Overseeing the development and implementation of shareholder communications policy for the Company.f) Reviewing the adequacy and integrity of the Company's management information and internal control systems. <p>Apart from the above, the Board has also delegated specific responsibilities to several Board Committees and the ultimate responsibility on all matters lies with the entire Board.</p> <p>The Board has adopted a schedule of matters specifically reserved for its approval which include, amongst others, reviewing and approving the following:</p> <ul style="list-style-type: none">a) Strategic/business plans and annual budget.

	<ul style="list-style-type: none"> b) New investments, divestments, mergers and acquisitions and corporate restructuring. c) Acquisition and disposal of significant assets of the Company. d) Annual audited financial statements and the quarterly financial results prior to release to Bursa Malaysia Securities Berhad. e) Appointment of new Directors, Chief Executive Officer and other Senior Management positions based on recommendations of the Nominating Committee. f) Related party transactions and capital financing. g) Key performance indicators of the Company. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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>Our Chairman, Tan Sri Dato' Seri Abdull Hamid bin Embong assumes the formal role of leader and chairs all Board meetings, lead discussions among the Directors and provides leadership to the Board in its oversight of management.</p> <p>Our Chairman also ensured that appropriate and sufficient time are given for all matters discussed and conclusive reviews are given on issues raised during the Board meetings.</p> <p>Some of the specific responsibilities of the Chairman include to ensure:</p> <ul style="list-style-type: none">a) Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board.b) Guidelines and procedures are in place to govern the Board's operations and conduct.c) All Directors are able to participate in the Board activities.d) Avenues are provided for all Directors to participate openly in the discussion.
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 roles of the Chairman and Chief Executive Officer are distinct and different. The Chairman is an Independent Non-Executive Director who is not in any executive position within the Company, whereas the Chief Executive Officer is primarily responsible for the day-to-day management and operations of the Company.	
Explanation for departure	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by two (2) qualified and competent Company Secretaries and the Board is satisfied of the performance of the Company Secretaries that they have provided sound governance advice, ensured adherence to rules and procedures and advocated the adoption of corporate governance best practices.</p> <p>The Directors has unrestricted access to the advice and services of the Company Secretary to enable them to discharge duties effectively.</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 agenda and Board papers are distributed in a timely manner prior to the Board meeting to allow the Directors to have sufficient time to review and to request for any further information or clarification prior to the Board meeting, and to raise relevant issues during the meeting.</p> <p>Upon conclusion of the Board meeting, the draft minutes are circulated to the Board to ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. Thereafter the final minutes are confirmed and approved at the subsequent Board/Committee Meeting.</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 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>A Board Charter had been adopted and periodically reviewed by the Board for updates on new and improved practices and governance standards.</p> <p>The Board Charter describes concisely the roles and responsibilities of the Board, Board Committees, individual Director and Management, as well as the issues and decisions reserved for the Board to facilitate the Board in discharging its fiduciary and leadership functions.</p> <p>The Board Charter can be viewed on the Company's corporate website at http://www.7eleven.com.my/board-charter.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board is guided by the Code of Ethics ("the Code") embedded in the Board Charter which sets out the values, principles and guidelines on how the Company conducts its business to ensure integrity and accountability. The Code is available on the Company's corporate website at http://www.7eleven.com.my/board-charter .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	The Company's Whistle-Blowing policy and guidelines are set out in the Company's website at http://www.7eleven.com.my/corporate-governance . The guidelines set out the procedures and the avenue where grievances or concerns pertaining to the conducts, affairs or practices of the Company can be raised in confidence and good faith.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board consists of four (4) Independent Non-Executive Directors and six (6) Non-Independent Directors.</p> <p>An annual assessment of Independent of Independent Director will be conducted on annual basis. Based on the evaluation results, the Board was satisfied that each Independent Director was fulfilled the Independent criteria set out in MMLR Bursa Securities.</p> <p>The Board is satisfied that the current composition of Independent Non-Executive Director fully reflects the interest of minority shareholders 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>		
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	:	Not applicable - No independent director(s) serving beyond nine (9) years	
Explanation on application of the practice	:	<p>Presently, there are no Independent Directors serving beyond nine (9) years.</p> <p>The Board Charter stipulates that where the tenure of an Independent Director exceeds a cumulative term of nine (9) years, the Board shall make recommendation and provide justifications to shareholders at a general meeting should it seek to retain the Director as an Independent Director. Alternatively, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Board Charter stipulates that where the tenure of an Independent Director exceeds a cumulative term of nine (9) years, the Board shall make recommendation and provide justifications to shareholders at a general meeting should it seek to retain the Director as an Independent Director. Alternatively, the Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board at all times promotes and welcomes diversity and gender mix in its composition and this is reflected in the Board composition comprising of different skill sets, experience, age, cultural background and gender.</p> <p>The Nominating Committee is responsible for identifying and nominating suitable candidates for appointment to the Board for approval, either to fill vacancies or as addition to meet the changing needs of the Company. The Nominating Committee will follow the nomination process to undertake a thorough and comprehensive evaluation of the candidates.</p> <p>The current Board composition of the Board inclusive three (3) women directors and a diverse mix of skill sets, knowledge and expertise.</p> <p>The Nominating Committee also oversees the succession planning of the Senior Management and diversity at Senior Management level is also taken into consideration.</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

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	The Board comprises three (3) women Directors out of ten (10) Directors, making up 33% women Directors on the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	The Board seeks recommendations for candidates for new Board members from existing Board members, major shareholders and independent sources. All appointments are subject to screening by the Nominating Committee prior to the consideration and approval by the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Nominating Committee is chaired by Ms. Shalet Marian who is 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>A formal performance assessment of the Board, Board Committees and individual Director, including the independence of the Independent Director are conducted based on the guidance of the Corporate Governance Guide – Towards Boardroom Excellence. Assessments of the Board, Board Committees and individual Director are conducted internally using questionnaires on a yearly basis.</p> <p>Based on the results of the assessment, the Board is satisfied that, the Board as a whole, the Board Committees and each individual Director had performed well and effectively. The overall composition of the Board in terms of size, the mix of skills, experience was also balanced and appropriate.</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	:	The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management that take into account the demands, complexities and performance of the Company as well as skills and experience required, and these are periodically reviewed.
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	:	Departure
Explanation on application of the practice	:	<p>The Remuneration Committee implements the policies and procedures on the remuneration of the Board and Senior Management and reviews and recommends matters relating to the remuneration of the Board and Senior Management.</p> <p>The Remuneration Committee also has written terms of reference that deal with its authority and duties, among others, including:</p> <ol style="list-style-type: none"> i. review and assess the remuneration packages of the Executive Directors ii. ensure the levels of remuneration are sufficiently attractive to retain Directors needed to run the Company successfully iii. structure the components of the remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at Board level iv. recommend to the Board the policy and framework for Directors' remuneration of both Executive and Non-Executive Directors
Explanation for departure	:	Currently, the terms of reference for the Remuneration Committee has yet to be published on the Company's website. The policy will be published on the Company's website.
<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 disclosure on named basis for the remuneration of individual Director and breakdown of individual Director’s remuneration such as fees, salary, bonus, benefits in-kind and other emoluments is made in the Corporate Governance Overview Statement in the Annual Report 2018.
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 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board is of the view that it would not be in the best interest of the Company to disclose these details of top five (5) Senior Management's remuneration in view of the competitiveness in the market for calibre Senior Management staff in the retail industry.
<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 7.3 - 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	:	The Board is of the view that it would not be in the best interest of the Company to disclose the detailed remuneration of each member of Senior Management on a named basis in view of the competitiveness in the market for calibre Senior Management staff in the retail industry.

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	:	The Chairman of the Audit Committee of the Company is not the Chairman of the Board, to ensure the overall effectiveness and independence 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 8.2

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	:	Not applicable – No former key audit partner appointed as a member of the Audit Committee.	
Explanation on application of the practice	:		
Explanation for departure	:	The Board would adopt the best practice of requiring a cooling-off period of at least two (2) years before a former key audit partner being appointed as a member of the Audit Committee when the Board reviews the terms of reference of the Audit Committee in due course. Nevertheless, this instance has not arisen to-date.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee applies the best practice of ensuring a full assessment to ensure the suitability, objectivity and independence of the external auditors.</p> <p>Based on the annual assessment conducted for the financial year ended 31 December 2018, the Audit Committee was satisfied with the performance and independence of the external auditors as well as the fulfilment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</p> <p>Messrs. Ernst & Young had also confirmed to the Audit Committee that they had been independent throughout the audit engagement in respect of the financial year under review.</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	:	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	:	The Audit Committee members possess a wide range of skills, and they are financially literate and able to understand matters within the purview of the Audit Committee including the financial process. The Audit Committee members have participated in conferences, seminars and training programmes to keep abreast of relevant developments in accounting and auditing standards, practices and rules.
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 has established an Enterprise Risk Management ("ERM") framework to identify and manage the significant risks faced in the Group's operations. A Risk Management Committee was chaired by the Chief Executive Officer and consist of key Management personnel from the respective divisions is established for the proper implementation of the ERM framework.</p> <p>The ERM framework is set out in the Annual Report 2018 under the Statement on Risk Management and Internal Control. The ERM framework focuses on the Group's core business operations and comprises a formalised structured process on risks identification, evaluation, control, monitoring and reporting and risk management policy and guidelines which had been adopted by the Board.</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 Enterprise Risk Management (“ERM”) framework focuses on the Group’s core business operations and comprise:</p> <ul style="list-style-type: none"> - risk identification of new risks or changes in existing risks - evaluation of risks identified and profiling risks - controls implemented or additional controls to be introduced - monitoring and updating of risks register <p>The risk profile identified are categorised based on the likelihood of occurrence and the impact if such occurrence happens.</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

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	:	The Risk Management Committee is chaired by the Chief Executive Officer that identify and communicate to the Audit Committee and the Board on critical risks faced by the Group and Management's action to address the risks.

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 Board outsourced the internal audit function to KPMG Management & Risk Consulting Sdn. Bhd. The Internal Audit function reports directly to the Audit Committee on the adequacy and effectiveness of the system of internal controls.</p> <p>The Audit Committee reviewed the Internal Audit Report presented by KPMG Management & Risk Consulting Sdn. Bhd. during the Audit Committee meeting.</p> <p>Annually, the Audit Committee also reviews and approves, where applicable, the annual internal audit plan.</p> <p>In this respect, the Audit Committee also assessed the level of independent of internal audit function to ensure the overall effectiveness and independence of the internal audit function.</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	:	<p>The internal audit function is outsourced to an independent professional firm, KPMG Management & Risk Consulting Sdn. Bhd. (“KPMG”) and reports directly to the Audit Committee.</p> <p>The internal audit carried out by internal audit function is guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors. The person in charge is Mohd Khaidzir Shahari, an Executive Director of Risk Consulting (Internal Audit, Risk and Compliance Services) in KPMG.</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 11.1

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

Application	:	Applied
Explanation on application of the practice	:	The Company engages its stakeholders through Annual General Meeting, announcements on Bursa Malaysia Securities Berhad as well as disseminates information to its shareholders via annual reports and updates on its official website. The Company also holds regular analyst briefings with investments analysts and fund managers.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Currently the annual report constitutes an integrated report where it laid out comprehensive information on the management discussion and analysis of the operations, corporate governance, sustainability and financial results.
		Not applicable as the Company is not a large Company as defined by MCCG.
<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	:	The annual report and notice of AGM are sent out at least 28 days prior to the date of the Annual General Meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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	:	All Directors attended the Annual General Meeting for the financial year 2018. The Board ensures that all Directors including the Chair of Board Committees attend the Annual General Meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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 held its Annual General Meeting (“AGM”) in 2018 at Bukit Jalil Golf & Country Resort, Bukit Jalil, 57000 Kuala Lumpur which is easily accessible to its shareholders.</p> <p>Shareholders who are unable to attend the AGM are allowed to send a proxy to attend and participate in the AGM.</p> <p>Not applicable as the Company is not a large Company as defined by MCGG.</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
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.

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