

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5073  
**COMPANY NAME** : Naim Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors plays a vital role in corporate governance. The Board endorses the overall direction of the Group, approves the Group's long term objectives, strategies, policies, annual budgets and major capital expenditures and ensures accountability to the shareholders, the relevant authorities and other stakeholders.</p> <p>The Board is also responsible for the review of performance of the Group's strategies, objectives, business plans and budgets, and has oversight of the Group's operations and management.</p> <p>Management runs the business operations, general activities and administration of financial matters of the Group in accordance with established delegated authority from the Board. The Financial Authority Limit ("FAL") outlines principles to govern decision making within the Group, including appropriate escalation and reporting to the Board. The FAL encompasses both the monetary and non-monetary limits of authority for recommending and approving its operational and management decision making activities prior to their execution. These delegations balance effective oversight with appropriate empowerment and accountability of the management.</p> <p>Board Committees are established to assist the Board in the execution of its duties, to allow detailed consideration of complex issues and to ensure diversity of opinions, suggestions and recommendations. Each Board Committee comprises members of the Board of Directors, and is mandated to carry out specified functions, programmes or projects assigned by the Board. Each Committee is given a written charter with specific roles and responsibilities, composition, structure, membership requirements, and the manner in which the Committee is to operate. The Committees are to ensure effective Board processes, structures and roles, including Board performance evaluation by the Nominating Committee. All matters determined by the Committees are promptly</p>

	<p>reported to the Board, through their respective Chairpersons, as opinions and/or recommendations for Board’s endorsement and or decision.</p> <p>The 5 Board Committees established to assist the Board are as follows:-</p> <ul style="list-style-type: none"> <li>(1) Audit Committee</li> <li>(2) Nominating Committee</li> <li>(3) Remuneration Committee</li> <li>(4) Risk Management Committee</li> <li>(5) Long Term Incentive Committee</li> </ul> <p>The Board reviews the financial performance of the Group on a quarterly basis and is fundamentally responsible for exercising business judgment and deliberating on value creation objectives of long-term significance to the Group. It also evaluates the performance of the management team annually against budgets or targets and other benchmarks, which are based on competitors in similar industries and business sectors.</p> <p>The Managing Director and Deputy Managing Director monitor and oversee the performance of the Senior Management team, which is charged with the day-to-day management of the Group’s affairs and implementation of corporate strategies and policy initiatives.</p> <p>The Managing Director and Deputy Managing Director also evaluate Senior Management’s performance against the plans and budgets on a monthly basis.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman is responsible for conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board discussions and shareholders are pre-informed of the subject matters requiring their approval. The Chairman will also act as facilitator at meetings of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of the Chairman and the Managing Director are held by different individuals.</p> <p>The Chairman is a Non-Independent Non-Executive Director. The Chairman chairs all Board meetings and is responsible for the leadership and effectiveness of the board, whereas the Managing Director oversees and monitors the performance of the Deputy Managing Director and the Senior Management team, who is in charge of the day-to-day conduct of the Group's business.</p> <p>However, at Board meetings the Chairman and the Managing Director share a common role of providing leadership and guidance to the Board, facilitating effective contributions from Board Members to ensure proper deliberation of all matters requiring the Board's attention.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The company secretaries are responsible for advising the Board on issues relating to corporate compliance affecting the Board and the Group. They are also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, conflict of interest in transactions, prohibition on dealing in securities during closed period and prohibition on disclosure of price-sensitive information. All directors and senior management have access to the advice and services of the company secretaries.</p> <p>The qualifications of the Company Secretaries are as follows:-</p> <p><b>Ms Bong Siu Lian</b>, a Fellow of the Malaysian Institute of Chartered Secretaries &amp; Administrators, who has more than 30 years of experience in the field.</p> <p><b>Ms Hasmiah Binti Anthony Hasbi</b>, holds a LLB (Hons.) degree from Middlesex University, United Kingdom and MBA from UiTM. She is a member of Advocates' Association of Sarawak with 20 years of work experience.</p> <p>The dynamics of the boardroom are changing and in order to keep abreast with relevant legislation and regulatory changes, the company secretaries are required to do continuous professional developments.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In order for the Board to deliberate effectively on the agenda of the meetings, relevant meeting papers or proposals are furnished prior to and in advance of each meeting. This enables the Board to study the facts and have productive discussion before making an informed decision at the meeting. Presentations are scheduled during Board and Committee meetings by management and/or consultants and advisors in order to provide the Board with proper understanding of, and competence to deal with, the current and emerging issues of the Group's businesses.</p> <p>Minutes of each Board meeting are circulated to all Directors for their review prior to their confirmation. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as being a correct record of the Board's proceedings. All conclusions of the Board meetings are duly recorded and the minutes are kept by the Company Secretaries.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised and adopted a Board Charter. The Board Charter sets out the objectives, roles, responsibilities, functions and composition of the Board. It also outlines the processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.</p> <p>The Board charter is reviewed and updated from time-to-time to maintain its relevance and accuracy to the prevailing rules and regulations.</p> <p>The Board Charter is made available for reference on the Company's website at <a href="http://www.naim.com.my">www.naim.com.my</a></p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	In discharging its responsibilities, the Board is guided by the Code of Conduct as contained in the Naim Employee Handbook and the Company Directors' Code of Conduct established by the Companies Commission of Malaysia. Directors and employees are expected to uphold the highest integrity in discharging their duties when dealing with stakeholders.  The Code of Conduct and Ethics is published on the Company's website.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has in place an Anti-Fraud Policy statement and a Fraud Response plan to protect the integrity, transparency and impartiality of the businesses conducted by the Group and its personnel. The purpose of the Anti-Fraud Policy statement and Fraud Response plan is to assist and enable all employees, Directors, business associates or customers of the Group to raise concerns or to disclose information pertaining to malpractices they may have knowledge of or come across in their dealings with the Group and at the same time to protect those who come forward to report such activities. The Group assures that all reports will be treated with strict confidentiality and will be promptly investigated.</p> <p>The Group believes that having an Anti-Fraud Policy helps to provide good management, accountability and increases investors’ confidence in the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied															
<b>Explanation on application of the practice</b>	:	<p>The number of Directors shall be determined by the Board within the limits as prescribed in the Constitution of the Company of not more than fifteen (15), taking into consideration the size and breadth of the business and the need for Board diversity.</p> <p>The Board's current composition is as follows:-</p> <table border="1"><thead><tr><th>Category</th><th>No. of Directors</th><th>%</th></tr></thead><tbody><tr><td>Executive Director</td><td>2</td><td>22</td></tr><tr><td>Non-Executive Director</td><td>2</td><td>22</td></tr><tr><td>Independent Non-Executive Director</td><td>5</td><td>56</td></tr><tr><td>Total</td><td>9</td><td>100</td></tr></tbody></table> <p><b>Notes:</b> <i>Paragraph 15.02, Bursa Malaysia Securities Listing Requirements requires 1/3 of the Board to comprise Independent Directors. If the number of Directors is not three (3) or a multiple of three (3), then the number nearest 1/3 shall be used.</i></p> <p>The Board is served by nine (9) Board Members of which, 22% are Executive Directors, 22% Non-Executive Directors and the balance of 56% Independent Non-Executive Directors.</p> <p>The MCCG 2017 recommends that at least half of the Board comprises independent directors. The Company complies with the aforesaid recommendation. In addition thereto, the Company also complies with Paragraph 15.02 Bursa Malaysia Securities Listing Requirements, at least two (2) directors or 1/3 of the Board to be independent directors.</p> <p>The Non-Executive Directors do not participate in the routine operations and they bring unbiased guidance to the Group. They constructively challenge and at the same time contribute to the</p>	Category	No. of Directors	%	Executive Director	2	22	Non-Executive Director	2	22	Independent Non-Executive Director	5	56	Total	9	100
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Independent Non-Executive Director	5	56															
Total	9	100															

	<p>development of strategies. Being independent of management and free of any business or other relationship, they are therefore able to promote arm's-length oversight and at the same time bring independent thinking, views and judgments to bear in decision making. The Board monitors the independence of each Director on a half yearly basis, in respect of their interests disclosed by them. The segregation of duties between Executive and Non-Executive Directors is to ensure an appropriate balance of role and accountability at the Board level.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### 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.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted a 9-year policy for Independent Non-Executive Directors and taking into account the need for progressive refreshing of the Board.</p> <p>Upon exceeding the tenure of nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director or upon approval being obtained from the shareholders to retain him/her as an Independent Non-Executive Director.</p> <p>A candidate for appointment as an Independent Non-Executive Director must first provide to the Nominating Committee ("NC") a declaration and confirmation on his/her independence for the Nominating Committee's consideration in his/her re-appointment.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	: Applied																																																																																																																																																																																																			
<b>Explanation on application of the practice</b>	<p>The Board acknowledges the importance of diversity in the Board, including gender, age, ethnicity, experience and skills. The current board composition in terms of experience, skills, ethnic, gender and age is as follows:-</p> <table border="1" data-bbox="349 734 1404 1675"> <thead> <tr> <th rowspan="2"></th> <th colspan="8">Experience &amp; Skills</th> <th colspan="2">Ethnic</th> <th colspan="2">Gender</th> <th colspan="3">Age</th> </tr> <tr> <th>Property</th> <th>Construction</th> <th>Timber</th> <th>Plantation</th> <th>Energy / Oil &amp; Gas</th> <th>Audit/Accounting/Finance</th> <th>Electrical/Telecommunication</th> <th>Public Service / Education</th> <th>Civil Engineering /</th> <th>Banking / Finance</th> <th>Bumiputra</th> <th>Non-Bumiputra</th> <th>Male</th> <th>Female</th> <th>Below 60</th> <th>Between 60-65</th> <th>Above 65</th> </tr> </thead> <tbody> <tr> <td>Datuk Amar Abdul Hamed Bin Haji Sepawi</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Datuk Hasmi Bin Hasnan</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Ms. Wong Ping Eng</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> </tr> <tr> <td>Emeritus Prof. Dato Ir. Abang Jemat Bin Abang Bujang</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Dato' Abang Abdullah Bin Abang Mohamad Alli</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Datin Mary Sa'diah Binti Zainuddin</td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Mr. Chin Chee Kong</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td>√</td> <td></td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Mr. Tan Chuan Dyi</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>√</td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>The Board currently comprises seven (7) male directors, representing 78% of the Board, and two (2) female directors, representing 22% of the Board. The Board recognises the value of having gender diversity in the Board and will continue with its search for capable female candidates to increase the number of women directors on the Board.</p> <p>The Board will also take initiative steps to achieve ethnic diversity and culture as an attribute of a well-functioning board. The Board believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance.</p>		Experience & Skills								Ethnic		Gender		Age			Property	Construction	Timber	Plantation	Energy / Oil & Gas	Audit/Accounting/Finance	Electrical/Telecommunication	Public Service / Education	Civil Engineering /	Banking / Finance	Bumiputra	Non-Bumiputra	Male	Female	Below 60	Between 60-65	Above 65	Datuk Amar Abdul Hamed Bin Haji Sepawi	√	√	√	√	√						√		√				√	Datuk Hasmi Bin Hasnan	√	√									√		√			√		Ms. Wong Ping Eng	√	√				√						√	√	√				Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis							√				√		√				√	Emeritus Prof. Dato Ir. Abang Jemat Bin Abang Bujang							√				√		√			√		Dato' Abang Abdullah Bin Abang Mohamad Alli								√			√		√			√		Datin Mary Sa'diah Binti Zainuddin					√						√		√			√		Mr. Chin Chee Kong						√						√	√			√		Mr. Tan Chuan Dyi									√		√	√	√	√			
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	<p>The profiles of the Directors are provided on pages 16 to 24 of the Annual Report 2017.</p> <p>The appointments of senior management are also made on merits, in the context of skills and experience. The profiles of the senior management are provided on page 25 of the Annual Report.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		



**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board currently comprises seven (7) male directors, representing 78% of the Board, and two (2) female directors, representing 22% of the Board. The Board recognises the value of having gender diversity in the Board and will continue with its search for capable female candidates to increase the number of women directors on the Board.	
		The Company does not have a formalised Board gender diversity policy.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<p><b>Application</b></p>	<p>: Applied</p>
<p><b>Explanation on application of the practice</b></p>	<p>: During the year under review, one (1) new director was appointed to the Board. The general guidelines for appointment to the Board were to fill a vacancy as a result of a creation of a new post or the resignation or retirement of an existing Director.</p> <p>The Nominating Committee may receive recommendations from Board members and major shareholders. The Nominating Committee also accepts referrals from external sources.</p> <p>A process is in place for the appointment of new directors to the Board. The primary responsibility for identifying a suitable candidate for appointment to the Board has been delegated to the Nominating Committee.</p> <div data-bbox="539 1196 1385 1778" data-label="Diagram"> <pre> graph TD     A[Identification of candidate] --&gt; B[Evaluation of the candidate by Nominating Committee]     B --&gt; C[Meeting the candidate, if deemed necessary]     C --&gt; D[Decision by Nominating Committee if suitable, to recommend to the Board for appointment]     D --&gt; E[Board appoints director, if deemed fit]     </pre> </div> <p>The Nominating Committee shall be responsible for selecting, assessing, evaluating and recommending suitably qualified candidates for proposed appointment to the Board. Each candidate will be evaluated on his competency in the mix of skills that will best complement the Board’s effectiveness and knowledge, time commitment taking into consideration the number of Boards on which he sits, strategy and vision, commitment to the interest of</p>

	<p>shareholders, mature judgment, professional qualification, management ability, and the possibility of any conflict of interest.</p> <p>Candidates for Non-Executive Director positions will also be assessed on the number and nature of directorships held in other companies, independence of the candidate pursuant to Bursa Malaysia Listing Requirements and the calls on their time from other commitments, in order to ensure full and active contributions to the board's affairs.</p> <p>Only candidates possessing the highest standards of personal and professional ethics and integrity, practical wisdom and mature judgment, and who are committed to representing the interests of the stockholders at all times, will be considered for recommendation to the Board for appointment.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Nominating Committee is chaired by a Non-Independent Non-Executive Director.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee evaluates and assesses the effectiveness of the Board and its committees. The evaluation exercise is undertaken after the end of each financial year. The individual Directors, Executive and Non-Executive Directors are being assessed by peer and via self evaluation on how the he/she performed against set parameters, contribution of the director to the Board's strategic thinking, leadership and commitment of the director, participation in Board and Committee meetings and communication and interpersonal skills of the director.</p> <p>Pursuant to Paragraph 15.20 the Nominating Committee, save for Datu (Dr) Haji Abdul Rashid Bin Mohd Azis*, reviewed the performance of the Audit Committee and its members against the Audit Committee's Terms of Reference, and it was of the opinion that the Audit Committee had carried out its duties in accordance with the terms of reference during the financial year ended 31 December 2017 and recommended that its members be retained for another term of office.</p> <p>The Executive Directors' performance is measured against the Key Performance Indicators (KPI) allocated to them at the beginning of the year. KPI is a quantifiable metric that reflects how well an organisation has achieved its pre-determined targets/goal. The targets/goals are aligned with the overall strategy of the organisation.</p> <p>The targets including quantifiable baseline and stretched targets, and incentives in the form of individual and team reward were pre-approved by the Board at the time the budget for subsequent year was tabled and may thereafter be revised based on prevailing economic conditions.</p> <p>As part of our cost-cutting exercise, the company did not engage an external independent expert or consultant as advisors to facilitate the board evaluation process. During the year under review, the assessment and evaluation were conducted in-house.</p>

	<hr/> Notes: * Datu (Dr) Haji Abdul Rashid Bin Mohd Azis, is a member in Nominating Committee and Chairman of Audit Committee.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Managing Director's remuneration package is recommended by the Remuneration Committee to the Board for approval. The Deputy Managing Director, Executive Directors (if any) and senior management report to the Managing Director and accordingly their remuneration packages are determined by the Managing Director. Fees for Non-Executive Directors and remuneration for the Non-Executive Chairman are proposed by the Board and approved by shareholders at the Annual General Meeting.</p> <p>The remuneration for Executive Directors and senior management comprises two (2) parts namely the fixed and variable remuneration components. The fixed component is the basic salary whereas the variable component relates to incentives tagged to targets and outcomes and the ability to contribute to the long-term strategies of the organisation. Non-Executive Directors shall be eligible to the fixed component. However, they are not eligible to participate in the variable performance-linked incentive scheme in the form of annual bonuses.</p> <p>The key objectives of the Company's policy on Executive Directors' remuneration are as follows:</p> <ol style="list-style-type: none"><li>1) to attract and retain executives of the highest calibre</li><li>2) to reward them at the prevailing market rate</li><li>3) to reward them in such a way that promotes the creation of shareholders' value through a "performance pegged to remuneration" package, i.e. Key Performance Indicators</li></ol> <p>The Company's policy for Non-Executive Directors is basically to offer remuneration adequate to attract and retain individuals of the appropriate calibre who are able to apply sound independent judgment based on extensive professional experience and knowledge.</p> <p>Non-Executive Directors are entitled to two kinds of remuneration:</p>

	<p>1) meeting allowance or special allowances when called upon to perform extra services or give special attention to the business of the Group</p> <p>2) Directors' fees recommended by the Board and approved by shareholders in the Annual General Meeting</p> <p>As aforementioned, Executive Directors are paid salary and bonus. However, they are not entitled to meeting allowances and fees.</p> <p>No Director is involved in determining his own remuneration.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



### 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.

<b>Application</b>	Applied
<b>Explanation on application of the practice</b>	<p><b>REMUNERATION COMMITTEE – TERMS OF REFERENCE</b></p> <p><b>1. Legal Status</b></p> <p>1.1 The Remuneration Committee is a committee of the Board of Directors of Naim Holdings Berhad.</p> <p><b>2. Composition</b></p> <p>2.1 The members of the Remuneration Committee shall be appointed by the Board from among their number and shall comprise no fewer than three (3) members, a majority of whom shall be Non-Executive Directors.</p> <p>2.2 In the absence of the Chairman, the members present shall elect a Chairman from amongst themselves to chair the meeting.</p> <p><b>3. Purpose</b></p> <p>3.1 The Remuneration Committee is established with the primary objective to formalize transparent remuneration policies and procedures to attract and retain directors.</p> <p><b>4. Functions of the Remuneration Committee</b></p> <p>4.1 The functions of the Remuneration Committee are as follows:</p> <p>a) To review annually and recommend to the Board the Company's overall remuneration policy, procedures and guidelines for Executive Directors to ensure that the remuneration packages are strongly linked to performance;</p> <p>b) To enhance shareholders' value by ensuring that individual performance and rewards of Executive Directors reflect and reinforce the business objectives and long term goals of the Group;</p>

	<p>c) To keep abreast with changes in the total remuneration packages in comparable external market, and review and recommend changes to the Board when necessary.</p> <p>d) To recommend the engagement of external professional advisors to assist and/or advise the Remuneration Committee, if deemed necessary.</p> <p><b>5. Quorum and Voting</b></p> <p>5.1 The quorum for the Remuneration Committee shall be two (2).</p> <p>5.2 No member of the committee shall participate in the meeting of the Committee (or during the relevant part) in which any part of his remuneration is being discussed or participate in any recommendation or decision concerning his remuneration and benefits.</p> <p><b>6. Circular Resolution</b></p> <p>6.1 A resolution in writing signed by a majority of all members shall be valid and effectual as if it had been passed at a meeting of the Remuneration Committee.</p> <p><b>7. Secretariat</b></p> <p>7.1 The Company Secretaries shall be the secretariat of the Remuneration Committee.</p> <p>The Terms of Reference of the Remuneration Committee are available on the Company's website.</p>
<p><b>Explanation for departure</b></p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	
<p><b>Timeframe</b></p>	

## Intended Outcome

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

## Practice 7.1

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.

<b>Application</b>	:	Applied																																																																					
<b>Explanation on application of the practice</b>	:	<p>Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year ended 31 December 2017 are as follows:</p> <p><b>Executive Directors</b></p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Salaries</th> <th>Allowances</th> <th>EPF</th> <th>Bonus</th> <th>Benefit-in-kind</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Datuk Hasmi Bin Hasnan</td> <td>1,695,456.00</td> <td>133,200.00</td> <td>292,596.00</td> <td>0</td> <td>19,700.00</td> <td>2,140,952.00</td> </tr> <tr> <td>Wong Ping Eng</td> <td>540,840.00</td> <td>0</td> <td>86,544.00</td> <td>0</td> <td>14,200.00</td> <td>641,584.00</td> </tr> </tbody> </table> <p><b>Non-Executive Directors</b></p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Allowances</th> <th>Fees</th> <th>EPF</th> <th>Benefit-in-kind</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Datuk Amar Abdul Hamed Bin Haji Sepawi,</td> <td>1,171,680.00</td> <td></td> <td>184,596.00</td> <td>28,450.00</td> <td>1,384,726.00</td> </tr> <tr> <td>Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis</td> <td>31,500.00</td> <td>132,000.00</td> <td></td> <td></td> <td>163,500.00</td> </tr> <tr> <td>Dato Ir. Abang Jemat Bin Abang Bujang</td> <td>24,000.00</td> <td>120,000.00</td> <td></td> <td></td> <td>144,000.00</td> </tr> <tr> <td>Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli</td> <td>12,000.00</td> <td>120,000.00</td> <td></td> <td></td> <td>132,000.00</td> </tr> <tr> <td>Datin Mary Sa'diah Binti Zainuddin</td> <td>19,000.00</td> <td>120,000.00</td> <td></td> <td></td> <td>139,000.00</td> </tr> <tr> <td>Chin Chee Kong</td> <td>22,500.00</td> <td>120,000.00</td> <td></td> <td></td> <td>142,500.00</td> </tr> <tr> <td>Tan Chuan Dyi</td> <td>6,000.00</td> <td>102,142.86</td> <td></td> <td></td> <td>108,142.86</td> </tr> </tbody> </table>	Directors	Salaries	Allowances	EPF	Bonus	Benefit-in-kind	Total	Datuk Hasmi Bin Hasnan	1,695,456.00	133,200.00	292,596.00	0	19,700.00	2,140,952.00	Wong Ping Eng	540,840.00	0	86,544.00	0	14,200.00	641,584.00	Directors	Allowances	Fees	EPF	Benefit-in-kind	Total	Datuk Amar Abdul Hamed Bin Haji Sepawi,	1,171,680.00		184,596.00	28,450.00	1,384,726.00	Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	31,500.00	132,000.00			163,500.00	Dato Ir. Abang Jemat Bin Abang Bujang	24,000.00	120,000.00			144,000.00	Emeritus Professor Dato' Abang Abdullah Bin Abang Mohamad Alli	12,000.00	120,000.00			132,000.00	Datin Mary Sa'diah Binti Zainuddin	19,000.00	120,000.00			139,000.00	Chin Chee Kong	22,500.00	120,000.00			142,500.00	Tan Chuan Dyi	6,000.00	102,142.86			108,142.86
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<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	In order to retain employees in the competitive talent marketplace, the Board has decided to maintain the confidentiality of the remuneration of all employees.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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 statements are a reliable source of information.

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee Chairman is Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis who is a Senior Independent Non-Executive Director. He is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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 statements are 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee has no such policy in place. However, no former key audit partner has been appointed as a member of the Audit Committee during the year under review.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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 statements are 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee is directly responsible for the oversight of the engagement of the Company's auditors.</p> <p>Prior to the commencement of the audit for the financial year ended 31 December 2017, the Audit Committee met the external auditor on 22 November 2017 to discuss the Group's audit plan and audit methodology, and during the meeting the external auditors, KPMG PLT declared the following:-</p> <ul style="list-style-type: none"><li>(i) its network firm, engagement partner and audit team's independence and objectivity, were in compliance with relevant ethical requirements.</li><li>(ii) its audit partners are rotated once every 5 years, with a two-year cooling-off period</li></ul> <p>The review of the performance of the external auditors was conducted on 12 April 2018. The external auditors were assessed in the following areas:-</p> <ul style="list-style-type: none"><li>(a) The quality of services provided;</li><li>(b) The sufficiency of resources;</li><li>(c) Communication and interaction and</li><li>(d) Independence, objectivity and scepticism</li></ul> <p>The Audit Committee was of the opinion that KPMG PLT had performed satisfactorily and recommended their re-appointment as auditors for the ensuing year subject to shareholders' approval at the forthcoming Annual General Meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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 statements are a reliable source of information.

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted															
<b>Explanation on adoption of the practice</b>	:	<p>Audit Committee comprises 4 members, of whom, 3 are Independent Directors and 1 Non-Independent Director.</p> <p>The Non-Independent Director is a member of the Malaysian Institute of Accountants. Paragraph 15.09(c) of Bursa Listing Requirements requires at least 1 member of the Audit Committee to possess the accounting qualification as prescribed under Paragraph 15.09(c) of the Bursa Listing Requirements.</p> <p>The details of the membership of the Audit Committee are as follows:-</p> <table border="1"><thead><tr><th>No.</th><th>Membership of the Audit Committee</th><th>Paragraph 15.09(c) Qualification</th></tr></thead><tbody><tr><td>1.</td><td>Senior Independent Non-Executive Director (Chairman of the Audit Committee)</td><td>x</td></tr><tr><td>2.</td><td>Independent Non-Executive Director (member)</td><td>X</td></tr><tr><td>3.</td><td>Non-Independent Non-Executive Director (member)</td><td>√ (MIA member)</td></tr><tr><td>4.</td><td>Independent Non-Executive Director (member)</td><td>X</td></tr></tbody></table>	No.	Membership of the Audit Committee	Paragraph 15.09(c) Qualification	1.	Senior Independent Non-Executive Director (Chairman of the Audit Committee)	x	2.	Independent Non-Executive Director (member)	X	3.	Non-Independent Non-Executive Director (member)	√ (MIA member)	4.	Independent Non-Executive Director (member)	X
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4.	Independent Non-Executive Director (member)	X															

## 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 statements are 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.

<b>Application</b>	: Applied								
<b>Explanation on application of the practice</b>	: <p>All members of the Audit Committee are financially literate.</p> <p>During the year under review, the trainings attended by members of the Audit Committee were as follows:-</p> <table border="1"> <thead> <tr> <th><b>Audit Committee members</b></th> <th><b>Training attended during the year</b></th> </tr> </thead> <tbody> <tr> <td>Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis</td> <td> <ul style="list-style-type: none"> <li>Companies Act 2016 – Key Insights &amp; Implication for Directors, Auditors/Accountants &amp; Company Secretaries - MIA</li> <li>NAIM Winning Strategy Workshop</li> <li>Fraud Risk Management Workshop - Bursa</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa</li> </ul> </td> </tr> <tr> <td>Dato Ir. Abang Jemat Bin Abang Bujang</td> <td> <ul style="list-style-type: none"> <li>NAIM Winning Strategy Workshop</li> <li>Fraud Risk Management Workshop – Bursa</li> <li>Case Study Workshop for Independent Directors – Bursa</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa</li> </ul> </td> </tr> <tr> <td>Chin Chee Kong</td> <td> <ul style="list-style-type: none"> <li>Companies Act 2016 – Key Insights &amp; Implication for Directors, Auditors/Accountants &amp; Company Secretaries – MIA</li> <li>NAIM Winning Strategy Workshop</li> <li>Premier Wealth Market Talk 2017 (Riding the wave of opportunities)</li> <li>Global Symposium on Development Financial Institutions organized by Bank Negara Malaysia and World Bank Group</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers –</li> </ul> </td> </tr> </tbody> </table>	<b>Audit Committee members</b>	<b>Training attended during the year</b>	Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	<ul style="list-style-type: none"> <li>Companies Act 2016 – Key Insights &amp; Implication for Directors, Auditors/Accountants &amp; Company Secretaries - MIA</li> <li>NAIM Winning Strategy Workshop</li> <li>Fraud Risk Management Workshop - Bursa</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa</li> </ul>	Dato Ir. Abang Jemat Bin Abang Bujang	<ul style="list-style-type: none"> <li>NAIM Winning Strategy Workshop</li> <li>Fraud Risk Management Workshop – Bursa</li> <li>Case Study Workshop for Independent Directors – Bursa</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa</li> </ul>	Chin Chee Kong	<ul style="list-style-type: none"> <li>Companies Act 2016 – Key Insights &amp; Implication for Directors, Auditors/Accountants &amp; Company Secretaries – MIA</li> <li>NAIM Winning Strategy Workshop</li> <li>Premier Wealth Market Talk 2017 (Riding the wave of opportunities)</li> <li>Global Symposium on Development Financial Institutions organized by Bank Negara Malaysia and World Bank Group</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers –</li> </ul>
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Datu (Dr.) Haji Abdul Rashid Bin Mohd Azis	<ul style="list-style-type: none"> <li>Companies Act 2016 – Key Insights &amp; Implication for Directors, Auditors/Accountants &amp; Company Secretaries - MIA</li> <li>NAIM Winning Strategy Workshop</li> <li>Fraud Risk Management Workshop - Bursa</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa</li> </ul>								
Dato Ir. Abang Jemat Bin Abang Bujang	<ul style="list-style-type: none"> <li>NAIM Winning Strategy Workshop</li> <li>Fraud Risk Management Workshop – Bursa</li> <li>Case Study Workshop for Independent Directors – Bursa</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers – Bursa</li> </ul>								
Chin Chee Kong	<ul style="list-style-type: none"> <li>Companies Act 2016 – Key Insights &amp; Implication for Directors, Auditors/Accountants &amp; Company Secretaries – MIA</li> <li>NAIM Winning Strategy Workshop</li> <li>Premier Wealth Market Talk 2017 (Riding the wave of opportunities)</li> <li>Global Symposium on Development Financial Institutions organized by Bank Negara Malaysia and World Bank Group</li> <li>Advocacy Session on Corporate Disclosure for Director and Principal Officers of Listed Issuers –</li> </ul>								

		<p>Bursa</p> <ul style="list-style-type: none"> <li>• ASEAN Capital Market Conference by Securities Commission</li> <li>• KPMG Tax Summit at OneWorld Hotel</li> <li>• Walking Through Contracts the MFRS 15 Way by KPMG @ Hilton</li> <li>• Law Enforcement, AMLA, FEA and FSPB (Asian Banking School)</li> </ul>
	Tan Chuan Dyi	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme - ICLIF</li> <li>• Changes Affecting Directors Under The Companies Act 2016 What Every Director Need to Know</li> <li>• NAIM Winning Strategy Workshop</li> <li>• Enhanced Understanding of Risk Management and Internal Control</li> </ul>
	<p>Pursuant to Paragraph 15.20 of Bursa Malaysia Securities Berhad, the Nominating Committee, reviewed the performance of the Audit Committee against the Audit Committee's Terms of Reference. The Audit Committee was assessed in the following areas :-</p> <ol style="list-style-type: none"> <li>(1) Composition and quality</li> <li>(2) Understanding the business, including risks</li> <li>(3) Process and Procedures</li> <li>(4) Oversight of financial reports including internal controls</li> <li>(5) Oversight of audit functions</li> <li>(6) Monitoring activities</li> </ol> <p>Based on the outcome of the assessment, the Nominating Committee recommended that the Audit Committee members be retained for another term of office.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the Group’s system of internal control and risk management. The Group has an effective risk management and internal control framework. In particular, the Group has in place an Enterprise Risk Management (“ERM”) based on MS ISO 31000: 2010 Enterprise Risk Management Framework and Standard.</p> <p>The Group’s system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

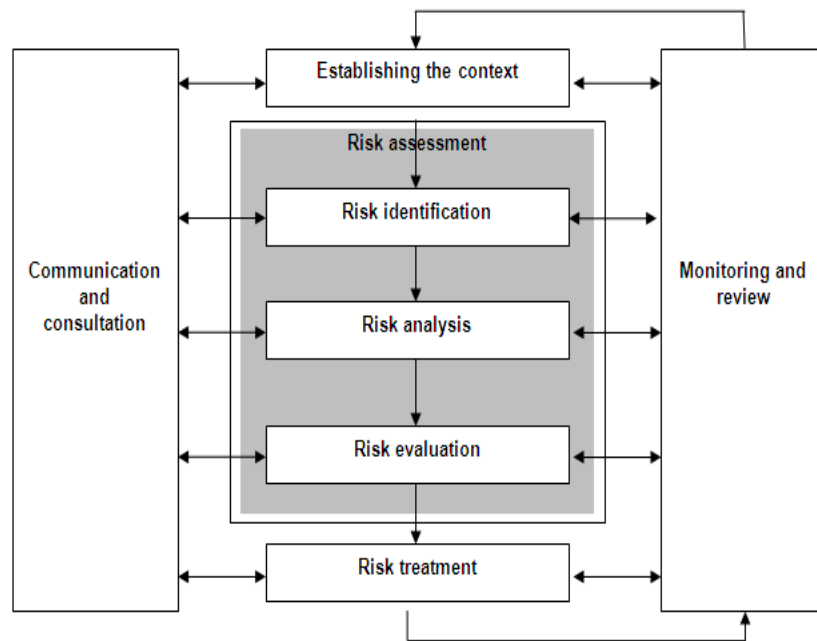
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board acknowledges that the Group operates in a highly dynamic environment and recognizes the need to manage risks that affect the achievement of the Group's strategic objectives. The Risk Management Committee ("RISCO") assists the Board to provide effective risk oversight and to provide a clear demarcation of roles and responsibilities and process in order that management maintained reasonable risk management practices and system of internal control in their day-to-day operations at their respective business units. The Board retains the overall risk management responsibility.</p> <p>RISCO is supported by an in-house risk management function i.e. Group Risk Management Department, ("GRMD"). GRMD provides risk advisory and supports various Group Management and Division Risk Sub-Committees in the Group in all matters of Enterprise Risk Management ("ERM").</p> <p>The Group's Enterprise Risk Management ("ERM") is based on MS ISO 31000: 2010 Enterprise Risk Management Framework and Standard. The ERM framework sets out the Group's risk management objectives, definition of risk and risk management, risk management processes, roles and responsibilities and reporting requirements.</p> <p>The ERM Framework (based on MS ISO 31000: 2010 Risk Management Principles and Guidelines) is depicted diagrammatically as follows:-</p>

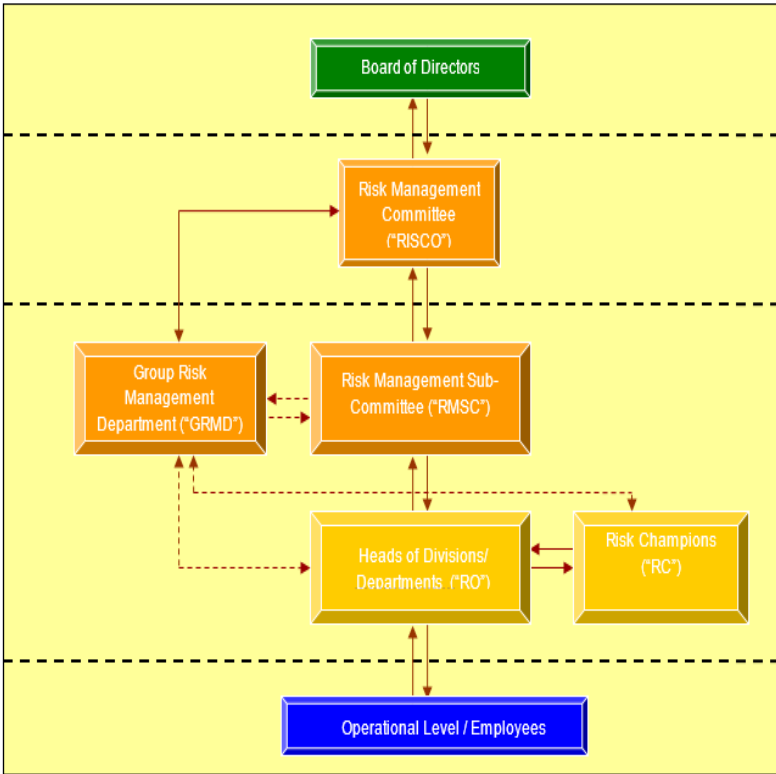


The process emphasizes the importance of communication and consultation at every stage to ensure that risks are adequately identified and to understand the basis on which decisions are made or certain risks are taken and agree on why particular actions may be required. This is to ensure that different views are appropriately considered when evaluating the risks. The business units being the first line of defence are responsible for identifying, assessing, monitoring and managing risks by implementing appropriate risk mitigation plan within their respective areas.

All Risk Owners (“RO”) are responsible for monitoring and reporting on their relevant risks and ensure that appropriate control are in place and action plans are implemented to manage risk effectively. RO report risks, control activities and risk mitigation plans to the Group Risk Management Department (“GRMD”) for escalation to the Risk Management Sub-Committee (“RMSC”). The RMSC reports to the Risk Committee Member (“RISCO”) which comprises no less than three (3) members, the majority of whom are the Independent Non-Executive Directors. The RISCO discusses and deliberates the top risk issues faced by the Enterprise Level and the corresponding risk mitigation plans.

Risk Governance Structure





The Risk Management Committee held four (4) meetings during the year 2017, during which, the relevant management staff, the Group Risk Management Department (“GRMD”) and the Internal Audit attended the meetings to, inter alia, report, review and discuss the key risks and issues impacting the Group’s strategic objectives.

The Risk Management Committee (“RISCO”) continuously reviews its risk management framework, policies and processes in its effort to further embed risk management practices into the Group’s business processes and structures.

Further details are provided in the Statement on Internal Control and Risk Management on Pages 82 to 84 of the Annual Report 2017.

<b>Explanation :</b> <b>for</b> <b>departure</b>	

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

<b>Measure :</b>	
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<b>Timeframe :</b>	
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### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted								
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee comprises wholly of Non-Executive Director, 2 of whom are Independent Non-Executive Directors and 1 is Non-Independent Non-Executive Director</p> <p>The membership classification of the Risk Management Committee is as follows:-</p> <table border="1"><thead><tr><th>No.</th><th>Membership Classification of the Risk Management Committee</th></tr></thead><tbody><tr><td>1.</td><td>Independent Non-Executive Director (Chairperson of the Risk Management Committee)</td></tr><tr><td>2.</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>3.</td><td>Non-Independent Non-Executive Director</td></tr></tbody></table>	No.	Membership Classification of the Risk Management Committee	1.	Independent Non-Executive Director (Chairperson of the Risk Management Committee)	2.	Senior Independent Non-Executive Director	3.	Non-Independent Non-Executive Director
No.	Membership Classification of the Risk Management Committee									
1.	Independent Non-Executive Director (Chairperson of the Risk Management Committee)									
2.	Senior Independent Non-Executive Director									
3.	Non-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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is responsible for the Group's internal control, the overall purpose of which is to protect shareholders' investments and the Group's assets. The Board is assisted by the Audit Committee, which is responsible for the Group's internal control system, accounting policies and Financial Reporting.</p> <p>The Internal control systems throughout the Group are managed and monitored by an in-house Internal Audit Division, whose primary function is to assist the Audit Committee in discharging its duties and responsibilities. The Internal Audit reports regularly to the Audit Committee on their findings on the adequacy and effectiveness of the Group's control systems. The Audit Committee reviews the adequacy, effectiveness and integrity of the internal control systems.</p> <p>The Internal Audit Department reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover high risks areas and entities across all levels of operations within the Group, other than associates and joint ventures. Systems and processes are being reviewed and weaknesses identified have been dealt with.</p> <p>The Internal Audit's role and responsibilities are defined in the Internal Audit Charter with the mission to provide independent, objective assurance and consulting services to add value and improve the organization's operations.</p> <p>Their role is to provide the Committee with independence and objective reports on the adequacy and effectiveness of the system of internal controls and procedures in the operating units within the Group and the extent of compliance with the Group's established policies, procedures and guidelines, and also compliance with applicable laws, regulations, directives and other enforced compliance requirements.</p> <p>The Internal Audit Function is independent of the activities audited and performs its duties with impartiality and due professional care. The Internal Audit Function reports directly to the Audit Committee. In addition, the Audit Committee assesses the performance of the Head of Internal Audit.</p>

<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Internal Audit Department is headed by a Chartered Accountant, Madam Denise Yong, who has more than 16 years of work experience. The internal audit staff comprises those that possess tertiary qualifications in the field of Accountancy, Business Administration and Construction Management. The Department is made up of a total of five (5) internal auditors.</p> <p>To accomplish its primary objectives in examining and evaluating whether the Group's internal control and governance process is adequate and functioning properly, the internal auditors are authorised to have full, free and unrestricted access to Group's operations, activities, information, functions, records, properties and personnel relevant to the performance of internal audit at any time.</p> <p><b>Internal Audit Functions and Activities</b></p> <p>The Internal Audit Department has carried out its activities based on planned audits and special reviews during the year. During the financial year ended 31 December 2017, the internal audit activities carried out included, inter alia, the following:</p> <ol style="list-style-type: none"><li>a. Evaluated the system of internal controls and key operating process based on the approved annual plan.</li><li>b. Evaluated the efficiency of process, function and current practices and provided suitable recommendation to the Audit Committee.</li><li>c. Provided assurance on compliance with statutory requirements, laws, Group policies and guidelines.</li><li>d. Evaluated the risk management framework and recommended improvements on the adequacy and effectiveness of management's risk processes.</li><li>e. Recommended appropriate controls to overcome deficiencies and enhance operations.</li><li>f. Carried out investigations and special reviews at the request of the Audit Committee, the Board of Directors and management.</li></ol>

	Follow-up audits were also conducted and the status of implementation on the agreed corrective actions was highlighted to the Audit Committee. The regular monitoring is to ensure the integrity and effectiveness of the Group's system of internal control.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has formalized corporate disclosure policies and procedures on communication with stakeholders.</p> <p>The Group communicates with shareholders by way of the Annual Reports <b>and</b> Financial Statements, by announcing its quarterly results and through periodical announcements to the market. The level of disclosure adopted in the Annual Reports and quarterly results are designed to go beyond the statutory obligations, in order to serve as an effective means of communication and information on the Group's operations.</p> <p>In addition, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Group's authorized representatives (the Chairman, Managing Director and Deputy Managing Director) on a regular basis. This provides further channel in communicating and engaging directly with the shareholders, investors and investment community. Non-Executive Directors may attend such meetings but are not expected to provide information on the Group's performance. Discussions at such meetings are restricted to matters that are in the public domain.</p> <p>During the year, one of our key stakeholders, attended the Group Annual General Meeting held in Kuching. It was followed by a brief sharing session with the Group Deputy Managing Director and Deputy Director of Finance.</p> <p>In addition, a shareholders briefing was held in Kuala Lumpur in the first quarter and fourth quarter in 2017. The briefing was attended by key stakeholders.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Last year the Company despatched its notice of the 15<sup>th</sup> Annual General Meeting on 28 April 2017 for Annual General Meeting (“AGM”) scheduled on 29 May 2017, giving more than 28 days notice.</p> <p>This year, the Company despatches the notice of its 16<sup>th</sup> AGM on 27 April 2018 to shareholders giving more than 28 days notice for AGM scheduled on 28 May 2018.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All directors were present at the last Annual General Meeting held on 29 May 2017.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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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