

# Statement on Corporate Governance

The Board of Directors (“Board” or “Directors”) fully subscribes to the recommendations of the Malaysian Code on Corporate Governance 2012 (“the Code”) and is committed in ensuring that the Company and its subsidiaries (“the Group”) practise the highest standard of corporate governance as a fundamental part of discharging its responsibilities to protect and enhance long-term shareholder value and the financial performance of the Group.

This statement describes the manner in which the Group has applied the Code’s Principles and the extent of compliance with the recommendations advocated therein.

## 1. Establish clear roles and responsibilities

### 1.1 Clear functions of the Board and Management

The Board’s role is to lead, control and provide stewardship of the Group’s business and affairs on behalf of shareholders. The matters reserved for the collective decision of the Board are listed in Schedule 6 of the Board Charter which is available on the Company’s website at [www.asb.com.my](http://www.asb.com.my).

Beyond the matters reserved for the Board’s decision, the Board delegates specific powers to the Board Committees, Group Executive Chairman and Group Managing Director to implement the Board’s decision and policies. Day-to-day management of subsidiaries is headed by their respective Chief Executive Officers.

### 1.2 Clear roles and responsibilities

The respective roles and responsibilities of the Board, Board Committees and Management have been clearly defined in the Board Charter. The Board has discharged its responsibilities in the best interests of the Company in pursuit of an integrated regulatory and commercial objective. The following are among the key responsibilities of the Board:

- Approving the Group’s strategic plans, key operational initiatives, major investments and divestments and funding requirements;
- Approving the annual budget, reviewing the performance of the business and approving the release of the quarterly and year end results announcement of the Group to shareholders;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage them;
- Overseeing the conduct of the Group’s business;
- Overseeing the processes of risk management, financial reporting and compliance;
- Providing guidance in the overall management of the business and affairs of the Group; and
- Reviewing the adequacy and integrity of management information and internal control system of the Group.

## **1. Establish clear roles and responsibilities (continued)**

### **1.2 Clear roles and responsibilities (continued)**

In addition, there is a schedule of matters reserved specifically for the Board's decision which include the annual budget and business plans, recommendation of dividends, financial results, changes in board composition, major acquisition or disposal of assets or investments and corporate issues.

The Board has established four (4) committees: an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management Committee which are entrusted with specific responsibilities, with authority to act on behalf of the Board pursuant to their respective Terms of Reference ("TOR") under Schedule 1 of the Board Charter which is available on the Company's website at [www.asb.com.my](http://www.asb.com.my). At each Board meeting, the minutes of previous Board Committee meetings are presented to the Board. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated and recommendations of the respective Committee meetings. The ultimate responsibility for decisions on all matters, however, lies with the Board.

The management carries out and executes the day-to-day business and operational matters to ensure the achievement of the business plan adopted by the Board and such other corporate objectives as may be delegated by the Board to the management.

### **1.3 Formalised ethical standards through Code of Conduct**

The Company's Code of Conduct for Directors and employees continue to govern the standards of ethics and good conduct expected of Directors and employees. A summary of the Code of Conduct is available on the corporate website. The Company has yet to establish a whistleblower policy as such policy may not be necessary at the moment, after taking into consideration the current internal controls, work culture and the "open-door" concept adopted by the Company.

### **1.4 Strategies promoting sustainability**

The Board promotes strategies which can deliver sustainable development in environmental, social and governance aspects of the Group's business.

### **1.5 Board meetings and access to information and advice**

During the financial year ended 31 December 2016, five (5) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's corporate developments, financial results, investments and reports on risk management and internal audits of the Group. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

## 1. Establish clear roles and responsibilities (continued)

### 1.5 Board meetings and access to information and advice (continued)

Details of attendance of each Director at Board Meetings held during the financial year ended 31 December 2016 are as follows:

Name of Directors	Number of Meetings attended
Dato' Ahmad Sebi Bakar	5/5
Lee Su Nie	5/5
Puan Sri Datin Masri Khaw binti Abdullah	5/5
Yong Teck Ming	5/5
Dato' Ahmad Ghiti bin Mohd Daud	5/5
Rali bin Mohd Nor ( <i>appointed on 10 March 2016</i> )	4/4
Ir Al'Azmy bin Ahmad ( <i>resigned on 24 February 2016</i> )	0/1
Aryati Sasya Dato' Ahmad Sebi	5/5

Mr Anton Syazi Dato' Ahmad Sebi was appointed as Non-Independent Non-Executive Director of the Company on 27 February 2017.

Each Director has unrestricted access to senior management, all information within the Company and is entitled to the advice and services of the Company Secretary whose appointment and removal is reviewed and approved by the Board. The Directors whether as full Board or in their individual capacity, may in furtherance of their duties, seek independent professional advice at the Company's expense, if required.

Prior to Board meetings, the Agenda for each meeting together with reports and papers containing information relevant to the business of the meetings (including information on major financial, operational and corporate matters as well as activities and performance of the Group and minutes of Committees of the Board and Board meetings) are circulated to the Board members to provide time for the Board members to read and deliberate the issues. During Board meetings, management provides further details on each issue raised for discussion or as supplementary information.

### 1.6 Qualified and competent Company Secretary

The existing qualified Company Secretary, who is a member of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), has been appointed by the Board since 2003 to play a supportive role to the Board and facilitate overall compliance with the relevant regulatory requirements, codes or guidance and legislations. In performing this duty, the Company Secretary carries out, among others, the following tasks:

- Attending Board and Board Committee meetings and ensuring that these meetings are properly convened and proceedings are properly recorded;
- Ensuring that all appointments to the Board and Committees are properly made;
- Maintaining records for the purposes of meeting statutory obligations;
- Facilitating the provision of information as may be requested by the Directors from time to time; and
- Supporting the Board in ensuring adherence to Board policies and procedures from time to time.

## 1. Establish clear roles and responsibilities (continued)

### 1.7 Board Charter

The Company has in place a Board Charter that sets out, among others, the responsibilities, authorities, procedures, processes and structures of the Board and Board Committees, as well as the relationship between the Board with its management and shareholders. More information on the Board Charter can be found on the Company's website at [www.asb.com.my](http://www.asb.com.my) within a dedicated Corporate Governance section.

The Board Charter will be reviewed periodically to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The Board Charter was last reviewed by the Board on 24 August 2016.

## 2. Strengthen composition

### 2.1 Nomination Committee

The Nomination Committee consists of three (3) Non-Executive Directors. Members of the Nomination Committee during the financial year ended 31 December 2016 are:

- |   |   |
|---|---|
| • Dato' Ahmad Ghiti bin Mohd Daud                             | <i>(Chairman, Independent Non-Executive Director)</i>   |
| • Puan Sri Datin Masri Khaw binti Abdullah                    | <i>(Member, Non-Independent Non-Executive Director)</i> |
| • Rali bin Mohd Nor <i>(appointed on 10 March 2016)</i>       | <i>(Member, Independent Non-Executive Director)</i>     |
| • Ir. Al'Azmy bin Ahmad <i>(resigned on 24 February 2016)</i> | <i>(Member, Independent Non-Executive Director)</i>     |

With the establishment of the Nomination Committee, a formal transparent procedure is in place for the appointment of new Directors to the Board whereby the Nomination Committee will recommend to the Board candidates for directorships in the Company. This procedure involves identification of candidates for directorship, evaluation of suitability of candidates, deliberation by the Nomination Committee and recommendation to the Board.

The duties and functions of the Nomination Committee are set out in its TOR which is reviewed annually by the Nomination Committee and approved by the Board before the same was uploaded to the Company's website under Schedule 1 of the Board Charter.

Recommendation 2.1 of the Code proposed that a Senior Independent Director should chair the Nomination Committee. The Chairman of our Nomination Committee is not a Senior Independent Director. The Board believes that the existing Chairman of the Nomination Committee is competent to chair the Nomination Committee by virtue of his vast experience and is capable to lead the Nomination Committee in ensuring that the Board composition meets the needs of the Company.

During the financial year ended 31 December 2016, the Nomination Committee has met twice and carried out activities in accordance with its TOR which include among others, the following:

- (a) assessed the independence of Mr Yong Teck Ming who served on the Board as an Independent Non-Executive Director for a cumulative terms of nine (9) years and to retain him as Independent Non-Executive Director of the Company. The Nomination Committee had recommended to the Board for approval that a resolution for the retention of Mr Yong Teck Ming as Independent Non-Executive Director of the Company be included in the Notice of the 92nd Annual General Meeting ("AGM") of the Company held on 31 May 2016 for shareholders' approval;

## **2. Strengthen composition (continued)**

### **2.1 Nomination Committee (continued)**

During the financial year ended 31 December 2016, the Nomination Committee has met twice and carried out activities in accordance with its terms of reference which include among others, the following (continued):

- (b) recommended to the Board the appointment of Mr Rali bin Mohd Nor as Independent Non-Executive Director to fill the vacancy created by Ir. Al'Azmy bin Ahmad who resigned as an Independent Non-Executive Director to pursue his own interest;
- (c) recommended to the Board on the re-election of directors who retire by rotation at the forthcoming AGM of the Company in accordance with the Company's Articles of Association;
- (d) reviewed the Board's size and composition having regard to the independence of all the independent directors, diversity (including gender diversity), required mix of skills and experience and other qualities, including core competencies, integrity and time commitment which the directors should bring to the Board in meeting the current and future needs of the Company;
- (e) assessed (i) the effectiveness of the Board as a whole; (ii) the committees of the Board; and (iii) the contribution of each individual director;
- (f) reviewed the training undertaken by Directors and recommended the Directors to attend programs/courses/seminars continuously in meeting the training needs of each director to keep abreast with the current developments in laws, regulations and business practices in order to aid them in discharging their duties;
- (g) reviewed the TOR of the Nomination Committee; and
- (h) reviewed the term of office and performance of the Audit Committee and each of its members.

### **2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors**

The Nomination Committee is responsible for making recommendations on any nomination to the Board and to Committees of the Board. The Nomination Committee considers candidates for directorship proposed by the Executive Directors and, where practicable, by any other senior executive or any director or shareholder. In making these recommendations, due consideration is given to the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities (including diversity in gender, age and ethnicity) that the proposed directors should bring to the Board and to the respective Board Committees. The final decision as to who shall be appointed is the responsibility of the full Board after considering the Nomination Committee's recommendations.

The Board, based on Nomination Committee's recommendation, evaluates and decides on the appointment of the proposed candidate(s) to replace any director who resign or retire from the Board and its Committee(s) or to be appointed as additional director(s).

The Board recognises diversity in the boardroom as critical element for efficient functioning of the Board and good governance practices. The Board also believes that diversity leads to the consideration of all facets of an issue and, consequently, better decisions and performance. The Board has included gender diversity as one of the main criteria for appointment of new directors to promote the representation of women in the composition of the Board.

## **2. Strengthen composition (continued)**

### **2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (continued)**

On 27 February 2017, the Nomination Committee met to consider the appointment of Mr Anton Syazi Dato' Ahmad Sebi as Non-Independent Non-Executive Director as proposed by the Group Executive Chairman as part of the Board's effort in promoting greater age diversity in the boardroom and for Mr Anton Syazi Dato' Ahmad Sebi to assume an executive role moving forward. The Board after having considered the mix of skills, experience, qualification and other quality required to meet the Group's needs and based on recommendation of the Nomination Committee, appointed Mr Anton Syazi Dato' Ahmad Sebi as Non-Independent Non-Executive Director on 27 February 2017. Following the appointment of Mr Anton Syazi Dato' Ahmad Sebi, both the percentage of independent directors and women Board members against the total Board members reduced to 37.50% from 42.86%.

The Nomination Committee will also assess annually, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director including Independent Non-Executive Directors, as well as Executive Directors. The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

In line with the recent amendments to the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Nomination Committee will also review the term of office and performance of the Audit Committee and each of its members annually to ensure that the Audit Committee has carried out their duties in accordance with their terms of reference.

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors retire from office at each AGM but shall be eligible for re-election. Directors who are appointed by the Board during each financial year are subject to election by shareholders at the next AGM following their appointments. The election of Director is voted separately. The Articles of Association of the Company provide that all Directors shall submit themselves for re-election at least once every three (3) years. Mr Anton Syazi Dato' Ahmad Sebi who was appointed on 27 February 2017 shall stand for election by shareholders at the forthcoming AGM of the Company.

### **2.3 Remuneration policies**

#### **(a) Remuneration policy and procedure**

The remuneration for all Directors is determined at levels so as to ensure that the Company attracts and retains the right calibre of Directors needed for the successful performance of the Group. The Remuneration Committee reviews and recommends to the Board, the Company's remuneration framework as well as remuneration packages for Executive Directors to ensure that they are appropriately rewarded for their contribution to the Group. The Board as a whole determines the remuneration of Non-Executive Directors with individual director abstaining from deliberations in respect of their remuneration. The remuneration packages will be reviewed annually by the Remuneration Committee after taking into consideration various factors including fiduciary duties of the Directors, time commitment, performance of the Company and market conditions.

## 2. Strengthen composition (continued)

### 2.3 Remuneration policies (continued)

#### (b) Remuneration Committee

The members of the Remuneration Committee during the financial year ended 31 December 2016 are as follows:

- Dato' Ahmad Ghiti bin Mohd Daud *(Chairman, Independent Non-Executive Director)*
- Puan Sri Datin Masri Khaw binti Abdullah *(Member, Non-Independent Non-Executive Director)*
- Rali bin Mohd Nor *(appointed on 10 March 2016) (Member, Independent Non-Executive Director)*
- Ir. Al'Azmy bin Ahmad *(resigned on 24 February 2016) (Member, Independent Non-Executive Director)*

The duties and functions of the Remuneration Committee are set out in its TOR which is reviewed annually by the Remuneration Committee and approved by the Board before the same was uploaded to the Company's website under Schedule 1 of the Board Charter.

The Remuneration Committee shall meet at least once a year and additional meetings can be scheduled if the Chairman of the Remuneration Committee considers necessary.

During the financial year ended 31 December 2016, the Remuneration Committee reviewed the annual fixed fee structure of members of the Board taking into consideration the increasing responsibilities and time commitment expected from the Directors and the last revised fee on 26 August 2015 which resulted in an increase in the Directors' fees for financial year ended 31 December 2015 of RM315,000 per annum compared to RM278,000 for the financial year ended 31 December 2014. The Remuneration Committee also reviewed the remuneration packages of the Directors and the proposed long service award policy for the Group.

#### (c) Remuneration package

Breakdown of the aggregate remuneration for the Directors and the number of Directors of the Company in each remuneration band for the financial year ended 31 December 2016 are as follows:

##### (a) Remuneration of Directors received from the Company:

Category of Director	Fees RM'000	Salaries, Bonuses, Allowances and other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive	150	822	88	1,060
Non-Executive	165	-	-	165

Range of remuneration (RM)	Number of Directors	
	Executive	Non-Executive
Below 50,000	-	5
150,000 - 200,000	1	-
850,001 - 900,000	1	-



## 2. Strengthen composition (continued)

### 2.3 Remuneration policies (continued)

#### (c) Remuneration package (continued)

Breakdown of the aggregate remuneration for the Directors and the number of Directors of the Company in each remuneration band for the financial year ended 31 December 2016 are as follows (continued):

(b) Remuneration of Directors received from the Group:

Category of Director	Fees RM'000	Salaries, Bonuses, Allowances and other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive	192	1,136	95	1,423
Non-Executive	429	628	-	1,057

Range of remuneration (RM)	Number of Directors	
	Executive	Non-Executive
Below 50,000	-	3
50,001 - 100,000	-	1
500,001 - 550,000	1	-
800,001 - 850,000	-	1
900,001 - 950,000	1	-

## 3. Reinforce Independence

### 3.1 Annual Assessment of Independence

In line with Recommendation 3.1 of the Code, the Board, through the Nomination Committee, shall assess the independence of its independent directors annually in accordance with the criteria as prescribed by the Listing Requirements of Bursa Securities and the independent directors are required to affirm their commitment to bring independent and objective judgement upon their appointments and annually thereafter.

During the financial year ended 31 December 2016, the Board, through the Nomination Committee, has conducted such assessment on all the independent directors and each Independent Non-Executive Director has confirmed his independence to the Nomination Committee. Based on the said assessment, the Board is satisfied with the level of independence demonstrated by all the independent directors and their ability to act in the best interest of the Company during deliberation at meetings of the Board and Committees.

### 3.2 Tenure of Independent Directors

As recommended by the Code, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to re-designation as a Non-Independent Director.



### 3. Reinforce Independence (continued)

#### 3.2 Tenure of Independent Directors (continued)

Notwithstanding the above, the Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Group benefits from long serving Directors, who possess detailed knowledge of the Group's business and have proven commitment, experience and competence to effectively advise and oversee management. The Board is also of the view that the fiduciary duties of Directors as promulgated in the Act (i.e. Companies Act, 1965 which was repealed with the enforcement of the Companies Act 2016 on 31 January 2017) are paramount for all Directors, irrespective of their status and therefore, tenure is not the main assessment criteria for independence of directors.

#### 3.3 Shareholders' approval for the re-appointment of Non-Executive Director

The Nomination Committee is tasked to assess and assist the Board in recommending and providing justification for shareholders' consideration and approval in the event an Independent Director is to remain independent after serving a cumulative term of nine (9) years.

The shareholders of the Company had at the 92nd AGM which was held on 31 May 2016 approved for Mr Yong Teck Ming who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of nine (9) years on 9 July 2016 to continue to act as an Independent Non-Executive Director of the Company.

On 27 February 2017, the Nomination Committee met and concluded that during Mr Yong Teck Ming's long service to the Company, he had performed very well as an Independent Non-Executive Director and there is no reason to believe that he will not continue to act independently and to contribute to the Company taking into consideration the following:

- (a) he fulfilled the Independent Director criteria under the Listing Requirements of Bursa Securities and thus is able to function as a check and balance and to bring an element of objectivity to the Board;
- (b) he is a member of the Institute of Chartered Accountants, New Zealand and a member of the Institute of Chartered Secretaries and Administrators, United Kingdom. He has vast experience in accounting and a diverse range of business which will enable him to provide the Board with constructive opinion;
- (c) he has been with the Company for more than nine (9) years and is familiar with the Company's business operations which will enable him to contribute actively and effectively during deliberation at meetings of the Board and Board Committees;
- (d) he has exercised his objective and independent judgement on all Board deliberations;
- (e) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
- (f) he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
- (g) he has been providing invaluable contributions to the Board in his role as an Independent Non-Executive Director and Chairman of the Audit Committee and Risk Management Committee.

### **3. Reinforce Independence (continued)**

#### **3.3 Shareholders' approval for the re-appointment of Non-Executive Director (continued)**

In view of the above, the Nomination Committee recommended to the Board that a resolution for the retention of Mr Yong Teck Ming as Independent Non-Executive Director of the Company, be tabled for shareholders' approval at the forthcoming 93rd AGM of the Company and the Board supported this recommendation.

#### **3.4 Separation of positions of the Group Executive Chairman and Group Managing Director**

The Group Executive Chairman provides leadership to the Board and the Group and ensures that the Board functions effectively, and is entrusted with the task of implementing the policies and strategies adopted by the Board. The Group Managing Director leads the management of the Company, and oversees and monitors the business and operations of the Group. A clear division of responsibility between the Group Executive Chairman and Group Managing Director exists and there is a balance of power and authority and their respective roles and responsibilities are set out in the Board Charter.

#### **3.5 Composition of the Board**

The Board currently consists of a Group Executive Chairman, a Group Managing Director and six (6) Non-Executive Directors, three (3) of whom are independent. The current Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group. Profiles of the Directors are set out on pages 33 to 40 of this Annual Report.

The presence of three (3) Independent Non-Executive Directors making up more than one-third (1/3) of the total number of Directors fulfils a pivotal role in ensuring that there is balance of power and authority. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully deliberated upon, and take into account the long term interests of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Together, their representations on the Board fairly reflect the investment of the minority shareholders of the Company and in addition carry sufficient weight for decision making.

The Board noted the recommendation of the Code which states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board, Dato' Ahmad Sebi Bakar, is not an Independent Director. He is the Group Executive Chairman and also a major shareholder. By virtue of his significant interest in the Company, the Board believes that the Group Executive Chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group.

### **4. Foster Commitment**

#### **4.1 Time commitment**

The Group recognises that its Directors may be invited to become directors of other companies and the Directors are therefore at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance as a member of the Board. In maintaining and monitoring the limitation on directorship as required by the Listing Requirements of Bursa Securities, the Directors upon appointment, and from time to time during their tenure, will notify the Company Secretary of their directorship in other companies for disclosure to the Board at Board meetings.

## 4. Foster Commitment (continued)

### 4.1 Time commitment (continued)

The Board is of the opinion that the provision of the Act and Listing Requirements of Bursa Securities are sufficient to ensure adequate commitment given by the Directors to perform their duties. Each Director, moreover, is able to discern an appropriate amount of time to commit to the Company without it being formally regulated.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities and this is demonstrated by the attendance record of the Directors at the meetings of the Board and Board Committees for the financial year ended 31 December 2016 as set out below:

Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Dato' Ahmad Sebi Bakar	5/5	-	-	-	-
Lee Su Nie	5/5	-	-	-	-
Puan Sri Datin Masri Khaw binti Abdullah	5/5	-	2/2	2/2	-
Yong Teck Ming	5/5	5/5	-	-	4/4
Dato' Ahmad Ghiti bin Mohd Daud	5/5	5/5	2/2	2/2	4/4
Rali bin Mohd Nor (appointed on 10 March 2016)	4/4	4/4	1/1	2/2	3/3
Ir. Al'Azmy bin Ahmad (resigned on 24 February 2016)	0/1	0/1	0/1	-	*0/1
Aryati Sasya Dato' Ahmad Sebi	5/5	*4/5	-	-	4/4

\* Attended the meetings by invitation.

To facilitate the Directors' time planning, a planned annual meeting calendar is prepared and circulated to them before the beginning of each year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM. Further, the Directors are constantly updated with the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results and annual financial results.

### 4.2 Training

All the Directors have attended the Mandatory Accreditation Programme as required under the Listing Requirements of Bursa Securities. The Board acknowledges the importance of continuous education and training to broaden their perspectives, skills, knowledge and to keep abreast of the relevant changes in law, regulations and the business environment. Accordingly, the Board evaluates and determines the training needs of its members on a continuous basis pursuant to the Listing Requirements of Bursa Securities and is updated on quarterly basis on the training programmes/courses/seminars attended by Directors.

## 4. Foster Commitment (continued)

### 4.2 Training (continued)

During the financial year ended 31 December 2016, the Nomination Committee has reviewed the following training programmes/courses/seminars attended by Directors and concluded that all Directors have attended programmes/courses/seminars to keep abreast with the current developments in laws, regulations and business practices to aid them in discharging their duties:

- Audit Oversight Board: The New Auditor's Report - Sharing the UK Experience  
*(attended by Ms Lee Su Nie)*
- Corporate Governance Breakfast Series with Directors: Improving Board Risk Oversight Effectiveness  
*(attended by Dato' Ahmad Ghiti bin Mohd Daud)*
- Corporate Governance Breakfast Series with Directors: Future of Auditor Reporting - The Game Changer for Boardroom  
*(attended by Puan Sri Datin Masri Khaw binti Abdullah and Dato' Ahmad Ghiti bin Mohd Daud)*
- Ring the Bell for Gender Equality  
*(attended by Puan Sri Datin Masri Khaw binti Abdullah)*
- Audit Committee Conference 2016: Setting The Right Tone  
*(attended by Dato' Ahmad Ghiti bin Mohd Daud)*
- Fraud Risk Management Workshop  
*(attended by Dato' Ahmad Ghiti bin Mohd Daud)*
- Mandatory Accreditation Programme  
*(attended by Mr Rali bin Mohd Nor)*
- Corporate Governance Breakfast Series with Directors: Thought Leadership Session for Directors "The Strategy, the Leadership, the Stakeholders and the Board"  
*(attended by Ms Lee Su Nie and Mr Yong Teck Ming)*
- Corporate Governance Statement Workshop: For Directors of Public Listed Companies: "The Interplay between Corporate Governance, Non-Financial Information (NFI) and Investment Decisions"  
*(attended by Mr Yong Teck Ming)*
- Fraud and Cybersecurity Conference - Combating Fraud & Cyber Crime: Your Defence Strategy?  
*(attended by Dato' Ahmad Ghiti bin Mohd Daud)*
- Fraud Risk Management Workshop  
*(attended by Ms Lee Su Nie and Mr Yong Teck Ming)*
- Risk Management Programme: I am Ready to Manage Risks  
*(attended by Dato' Ahmad Ghiti bin Mohd Daud and Ms Aryati Sasya Dato' Ahmad Sebi)*
- Corporate Governance Breakfast Series with Directors: The Cybersecurity Threat and How Boards Should Mitigate the Risks  
*(attended by Ms Lee Su Nie, Mr Yong Teck Ming, Dato' Ahmad Ghiti bin Mohd Daud and Ms Aryati Sasya Dato' Ahmad Sebi)*

## 4. Foster Commitment (continued)

### 4.2 Training (continued)

During the financial year ended 31 December 2016, the Nomination Committee has reviewed the following training programmes/courses/seminars attended by Directors and concluded that all Directors have attended programmes/courses/seminars to keep abreast with the current developments in laws, regulations and business practices to aid them in discharging their duties (continued):

- Launch of the AGM Guide & Corporate Governance Breakfast series: “How to leverage on AGMs for Better Engagement with Shareholders”  
*(attended by Mr Yong Teck Ming)*
- Corporate Governance Breakfast Series with Directors: Anti-corruption & Integrity - Foundation of Corporate Sustainability  
*(attended by Ms Aryati Sasya Dato’ Ahmad Sebi)*
- In-house training: Crisis Management & Anti Money Laundering Act  
*(attended by Dato’ Ahmad Sebi Bakar, Ms Lee Su Nie, Puan Sri Datin Masri Khaw binti Abdullah, Mr Rali bin Mohd Nor and Ms Aryati Sasya Dato’ Ahmad Sebi)*

The Directors have also been regularly updated on developments in corporate governance, relevant laws, regulations and business practices as a continuing effort to train and equip themselves to effectively discharge their duties.

## 5. Uphold integrity in financial reporting

### 5.1 Compliance with applicable financial reporting standards

In presenting the annual financial statements and quarterly announcement of results, the Board aims to present a balanced and understandable assessment of the Group’s position and prospects. This also applies to other price sensitive public reports and reports to regulators. The Audit Committee assists the Board in scrutinising such reports to ensure accuracy and adequacy. The Audit Committee meets on a quarterly basis to review the integrity and reliability of the quarterly announcement of results. At least twice a year, the Audit Committee will meet to review the integrity and reliability of the Group’s annual financial results in the presence of the external auditors without the management, prior to recommending them for the Board’s approval and issuance to shareholders.

As part of the Directors’ responsibility for preparing financial statements, the Directors are required by the Act to prepare financial statements for each financial year which have been made out in accordance with applicable approved financial reporting standards in Malaysia and the Act so as to give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of the financial performance and cash flows of the Group and the Company for the financial year. The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Act.

## **5. Uphold integrity in financial reporting (continued)**

### **5.1 Compliance with applicable financial reporting standards (continued)**

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that all applicable financial reporting standards have been followed; and
- Prepared financial statements on an going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

### **5.2 Assessment of suitability and independence of external auditors**

#### **(a) Relationship with auditors**

Through the Audit Committee, the Board has established a formal transparent and appropriate relationship with the Company's auditors. The external auditors are invited to attend Audit Committee Meetings at least twice a year to discuss the nature and scope of the audit and problems and reservations arising from the final audit.

The external auditors for the financial year 2016, Messrs Baker Tilly Monteiro Heng, was appointed as the Company's external auditors on 30 June 2008.

The roles of the Audit Committee in relation to both the internal and external auditors are described in the Audit Committee Report.

#### **(b) Audit Committee**

During the financial year ended 31 December 2016, the Audit Committee met the external auditors thrice in the absence of the executive directors to discuss the audit plan, audit findings and the Company's audited financial statements. The external auditors had assured that they have formal procedures to ensure independence throughout the conduct of the audit and confirmed that they have complied with the relevant requirements for independence.

After having assessed the suitability as well as independence of the external auditors and being satisfied with their performance, the Audit Committee recommended the re-appointment of the external auditors to the Board and the Board approved the recommendation of the Audit Committee upon which the shareholders' approval will be sought at the forthcoming 93rd AGM.

## 6. Recognise and manage risks

### 6.1 Sound framework to manage risks

The Board acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' investments, the Company's assets, and the need to review the adequacy and integrity of those systems regularly. In establishing and reviewing the system of internal control, the Directors recognise that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. The effectiveness of the Group's risk management and internal controls framework is reviewed periodically by the Risk Management Committee and Audit Committee and such review includes amongst others the financial, operational, environment and compliance controls and risk management.

The Statement on Risk Management and Internal Control as set out on pages 65 to 67 of this Annual Report provides an overview of the state of internal control and risk management within the Group. Further information relating to process for identifying, evaluating and monitoring risks are set out in the Board Charter under Group Enterprise Risk Management Framework.

The members of the Risk Management Committee during the financial year ended 31 December 2016 are as follows:

- |                                   |   |
|-----------------------------------|---|
| • Yong Teck Ming                  | <i>(Chairman, Independent Non-Executive Director)</i>   |
| • Dato' Ahmad Ghiti bin Mohd Daud | <i>(Member, Independent Non-Executive Director)</i>     |
| • Aryati Sasya Dato' Ahmad Sebi   | <i>(Member, Non-Independent Non-Executive Director)</i> |

The Risk Management Committee meets quarterly and reports to the Board any significant risk issues evaluated and recommends major changes for approval.

### 6.2 Internal audit function

The internal audit function of the Group is outsourced to professional firms ("Internal Auditors"). In 2016, the Internal Auditors carried out various audit assignments and follow-up audits on all key departments and subsidiaries within the Group in accordance with the approved annual audit plan. The internal audit reports were tabled at the Audit Committee meeting on a quarterly basis by the Internal Auditors. The Audit Committee Report and Statement on Risk Management and Internal Control as set out on pages 68 to 69 and pages 65 to 67 of this Annual Report provide an overview of the internal audit function.

## 7. Ensure timely and high quality disclosure

### 7.1 Corporate Disclosure Policy

The Board has in place a Corporate Disclosure Policy to set out the policies and procedures following the emphasis of Bursa Securities as outlined in its Corporate Disclosure Guide.

### 7.2 Leverage on information technology for effective dissemination of information

As recommended by the Code, the Company has leveraged on information technology for broader and effective ways to communicate with both its shareholders and stakeholders. The Company has established a dedicated section for investor on its website. This section provides information relating to corporate governance, annual reports, announcements to Bursa Securities and Board Charter. Contact details are provided on the Company's website to address queries from its shareholders and stakeholders.



## **8. Strengthen relationship between Company and shareholders**

### **8.1 Encourage shareholder participation at general meetings**

The Board acknowledges the importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and operations via distribution of annual reports and relevant circulars, and release of quarterly financial results, press releases and announcements.

The Company despatches its Notice of AGM to its shareholders at least 21 days before the AGM in allowing the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

To enhance the quality and value of the AGM, the Board ensures that the Notice of AGM identifies the Directors standing for re-election or election with a brief description to include matters such as age, gender, relevant experience, list of directorships in public companies, date of appointment to the Board, details of participation in Board Committees and whether the particular Director is independent.

In addition, each item of special business included in the Notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution.

There is no limit to the number of proxies which the exempt authorised nominee (who hold shares in the Company for multiple beneficial owners in one securities account ("omnibus account")) may appoint in respect of each omnibus account it holds. This allows for greater participation of beneficial owners of shares at general meetings of the Company.

### **8.2 Poll voting**

In line with the recent amendments to the Listing Requirements of Bursa Securities, the Board will implement poll voting for all the resolutions set out in the notice of general meetings. In addition, the Company will appoint independent scrutineer to validate the votes cast at the general meetings. The outcome of the general meetings is to be announced to the Bursa Securities on the same day after the meetings are concluded and these announcements are available on the website of the Bursa Securities and the Company.

### **8.3 Effective communication and proactive engagement**

The AGM is the principal forum for dialogue with shareholders. There is an open question and answer session in which shareholders may pose questions regarding the resolutions being proposed at the meeting and also on matters relating to the Group's businesses and affairs. The Board members are in attendance to provide explanations to all shareholders' queries and shareholders are encouraged to participate in discussions and to give their views to the Directors.

It is also the practice of the Board to hold a press conference with journalists upon request after an AGM.