

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3026
COMPANY NAME : DUTCH LADY MILK INDUSTRIES BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has meetings each quarter with the management of the Company where the management will present the performance and results of the business of the Company which is benchmarked against the aligned annual budget. In 2017, the management and Board also discussed sustainability topics such as market development, raw material cost increases and how to mitigate identified risks, including enhancing safety, overall productivity and quality issues.</p> <p>In November 2017, the Board together with the management planned and deliberated on the financial budget for the financial year ending 31 December 2018 and the same was aligned for implementation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	Dato’ Zainal is a respected Chairman who is known to always voice his views on any issues in an objective manner. He chairs the Board Meetings with a spirit of inclusiveness by encouraging discussions and eliciting the views of all his Board members. He ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The roles of the Chairman and Managing Director are separate and there is a clear division of responsibilities between them. The Managing Director is primarily responsible for the day to day management of the business and operations of the Company. The Chairman is an independent director who has never assumed an executive position in the Company. On 1 st January 2018, Mr Tarang Gupta succeeded Ms Saw Chooi Lee as the Managing Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by a qualified Company Secretary who is a Chartered Secretary. The Company Secretary organises and attends all Board and Board Committee Meetings.</p> <p>The Company Secretary updates the Board on all new relevant regulatory requirements including those issued by Bursa Securities or the Securities Commission. In August 2017, the Company Secretary briefed the Board on the recommended practices set out in the new Malaysian Code on Corporate Governance ("Code").</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied	
Explanation on application of the practice	:	For each Board Meeting, the agenda and Board papers are distributed at least seven days in advance to enable Directors to have sufficient time to review the Board papers and to obtain further explanation or clarification to facilitate the decision-making process and the meaningful discharge of their duties.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	The Board has adopted a Board Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities, the vision, mission, shared values and principles, as well as the policies and strategic development of the Company. The Board Charter specifies clearly the roles and responsibilities of the Board, the Board Committees, individual directors and management. The Charter will be updated in April 2018 to incorporate changes to the Code. The Charter is available for reference at the Company's website at www.dutchlady.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board is guided by Royal FrieslandCampina’s (RFC) Compass for good business conduct (“Compass”). Compass plays an important role in the management of compliance risks and sets out the values, principles and guidelines as to how the Company conducts its business to ensure integrity, transparency and accountability. Compass has, under its purview, underlying policies which include Doing Honest Business and Fair Competition policies, all of which is embedded in the Company’s working culture and encapsulated in the Company’s Employee’s handbook.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	Under Compass, employees and third party stakeholders have access to the Speak-Up Procedure, which serves as an avenue for employees and third party stakeholders to voice out their concerns on matters relating to Compass. The Speak-Up Procedure clearly sets out a well-defined process upon which Compass-related matters can be raised in confidence and in good faith.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently the board consists of 3 independent and 4 non-independent directors. Ms. Saw Chooi Lee who is currently a non-independent director will be re-designated as an independent director after a cooling off period of 2 years from her resignation as Managing Director of the Company (i.e. by 2020).	
		The Company’s major shareholder is a foreign co-operative of farmers. The Board considers that the current composition fairly reflects the foreign direct investment and the investment of the minority shareholders. The proportion of independent directors ensures effective checks and balances on the Board and the independent directors effectively safeguard the interest of the minority shareholders.	
		Alternative: Currently the board consists of 3 independent and 4 non-independent directors. The Company aims to have an equal number of independent and non-independent directors by 2020.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board shall consist of an equal number of independent and non-independent directors	
Timeframe	:	Within 2 years	

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Mr. Boey Tak Kong and Mr. Foo Swee Leng, two of the Independent Non-Executive Directors, have served the Board for more than nine years as Independent Directors.</p> <p>Mr. Foo Swee Leng will not seek re-election at the forthcoming AGM. As regards Mr. Boey Tak Kong, the Board has decided to seek shareholders' approval to retain him as an independent director via a normal voting process.</p> <p>Since January 2018, the Company has seen the following changes to the Board:</p> <p>Board members resigning:</p> <ul style="list-style-type: none">- Mr Piet Hilarides- Ms. Jaska Marianne de Bakker- Dato' Dr. Mhd Nordin- Mr. Foo Swee Leng <p>Board member redesignated from Executive to Non-Executive Director:</p> <ul style="list-style-type: none">- Ms. Saw Chooi Lee <p>New appointments to the Board:</p> <ul style="list-style-type: none">- Mr. Tarang Gupta- Mr. Bernardus Hermannus Maria Kodden- Dato' Dr. Rosini Alias <p>For the following reasons the Board seeks shareholders' approval to maintain Mr. Boey Tak Kong for another financial year.</p> <ul style="list-style-type: none">- For continuity in the Board, given all the recent changes in the

	Board as set out above <ul style="list-style-type: none">- The specific financial expertise and governance insights that Mr. Boey Tak Kong brings to the Board- The search for candidates with the relevant and requisite experience will take time.	
	Alternative: Mr. Foo Swee Leng will not seek re-election at the forthcoming AGM. The Board has decided to seek shareholders’ approval to retain Mr. Boey Tak Kong as an independent director via a normal voting process.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Mr Boey Tak Kong will retire at the next AGM in 2019. Thereafter, if the Board intends to retain an independent director beyond nine years, it will justify and seek annual shareholders’ approval. If the Board continues to retain the independent director after the twelfth year, the Board will seek annual shareholders’ approval through a two-tier voting process.
Timeframe	:	Within 1 year

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The current Board members comprises of a mixture of skill sets ranging from finance, business, economics and science.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>At present, due to the recent Board changes (due to global restructuring of the parent company), the Board does not achieve a 30% female representation.</p> <p>However, the Company has strong commitment towards gender diversity. The management team of the Company comprises 60% women and 69% of the Company's employees are women.</p> <p>The Board aims to have 30% female representation within the coming years. The Company's prime objective, however, is to achieve a strong Board and will select new appointment based on overall merit.</p> <p>Alternative: The Board aims to have 30% female representation within the coming years.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	30% of the Board comprise of female directors
Timeframe	:	Within 3 years

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	In identifying new Board members, the Board seeks recommendations for candidates from existing Board members, management, major shareholders or independent sources. The recent appointments of Mr Tarang Gupta and Mr Bernardus Hermannus Maria Kodden as non-independent directors were recommended by the major shareholder, FrieslandCampina DLMI Malaysia Holding B.V. The Nomination Committee then ensures that the recommended candidates are suitable and of sufficient calibre before recommending their appointment to the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Nomination Committee is Mr. Foo Swee Leng who is an Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The annual assessment on Board effectiveness was conducted in November 2017 internally via questionnaires, which was led by the Chairman of the Nomination Committee with the support of the Company Secretary. The assessment was conducted on the Board, the Nomination Committee, the Audit Committee, the Managing Director and on each individual Board member through a peer evaluation. Key findings are set out in the Corporate Governance Statement in the Annual Report.	
		By 2020 the Board shall carry out a review on Board effectiveness using external consultants and thereafter this shall be carried out on a periodic basis.	
		Alternative: Internally conducted annual assessment on Board effectiveness.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	To carry out a review on Board effectiveness using external consultants on a periodic basis.	
Timeframe	:	Within 2 years	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The remuneration for Executive Directors and senior management of the Company are based on the human resource policies and procedures of the RFC Group. The Company follows the performance appraisal system and compensation and benefits scheme of the RFC Group. For Executive Directors of the Company, corporate and individual performance is rewarded through the use of an integrated pay benefits and bonus structure.</p> <p>The Non-Executive Directors are paid fixed annual directors' fees as members of the Board and these are approved by shareholders at the Annual General Meeting. Non-Executive Directors are also paid an attendance allowance for each Board or Committee meeting that they attend. The Chairman of the Board Committees receives a Board Committee Chairman allowance. In addition thereto, the members of the Audit Committee also receive a committee allowance.</p> <p>The policy will be published on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a Remuneration Committee which role is to :</p> <p>(i) To study and periodically to review and to implement policies governing the remuneration for Executive and Non-Executive Directors and senior management.</p> <p>(ii) To review and make recommendations to the Board on all elements of remuneration and terms of employment for Executive and Non-Executive Directors and senior management.</p> <p>The Terms of Reference will be published on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	Details are included in Corporate Governance Statement.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Details of members of senior management will be shared on general terms and on an aggregated basis only as the Board is of the view that it would not be in the best interest of the Company to disclose these details given the competitiveness in the market for good senior managers in the consumer goods industry.</p> <p>The Company follows its remuneration based on the global RFC policy with combination of Malaysian and International employees.</p>
		<p>Alternative: Details of the members of senior management will be shared general terms and on an aggregated basis only</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Alternative is sufficiently transparent and allows stakeholders to assess the reasonableness of remuneration paid to members of senior management.
Timeframe	:	Others
		Not applicable

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Mr. Boey Tak Kong who is an Independent Non-Executive Director and he is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The terms of reference of the Audit Committee states clearly that a former key audit partner of the External Auditors shall be subject to a minimum two (2) year cooling-off period before being appointed as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	In August 2017 the Audit Committee had a meeting with the Messrs. PricewaterHouse Coopers (PWC), the External Auditors where PWC presented the annual audit plan for FY 2017. In that meeting, PWC highlighted the key focus areas, methodology and new accounting standards. The External Auditor also briefed the Audit Committee on their team members and the resources allocated to the Company. After discussion and deliberation, the Audit Committee approved the audit plan. The Company also sought the confirmation of independence from the External Auditors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The members of the Audit Committee are all financially literate and have a full understanding of the financial reporting process and the financial matters discussed. The members also attend training on new rules or standards relating to the accounting standards, tax rulings or corporate governance changes. The Chairman of the Audit Committee plays an active role in updating the other members on such new developments.</p> <p>The Chairman of the Audit Committee, Mr. Boey Tak Kong is also active in providing technical training for the Malaysian Institute of Accountants, the Malaysian Institute of Chartered Secretaries & Administrators, Malaysian Institute of Corporate Governance and Malaysian Investor Relations Association Berhad.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	This role is taken up by the Audit Committee. The Company adopts the Enterprise Risk Management program based on the framework that was developed and issued by RFC, which is based on COSO framework model. The program establishes an enterprise risk assessment (ERA) for identifying, evaluating, monitoring, reporting and managing significant business risks.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>The ERA categorises the risk in the following way:</p> <ul style="list-style-type: none">• Strategic, which are risks that affect the overall direction of the business.• Operational, which are risks that impact the delivery of the Company's products.• Financial, which are risks associated with financial processes and reporting.• Compliance, which are risks associated in relation to legal, statutory and corporate governance. <p>The risk profile of the Company is established during risk assessment sessions facilitated by RFC. Risks identified are categorised and rated based on:</p> <ul style="list-style-type: none">• Impact on the relevant business objectives ;• Likelihood of the risks occur ; and• Potential for improvement of the way the risk is being managed <p>taking into account the existing internal control and risk management measures in place.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company's Internal Controls Framework is based on the Internal Control Framework (ICF) established by Royal FrieslandCampina N.V. (RFC). ICF requires controls to be tested either quarterly, half yearly or yearly, depends on their criticality, to ensure its effectiveness, adequacy and integrity.</p> <p>The Internal Audit function reports to the Audit Committee. During the year, the Internal Auditors had 3 meetings with the Audit Committee. They reported on the Company's system of internal and operational controls with focus on key area of business risks.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>In every Audit Committee the Internal Auditors updates on the its annual audit plan which includes the nature and scope of the internal audit. The Audit Committee when reviewing and discussing the said plan seeks to ensure that the internal audit plan is aligned with the external audit plan.</p> <p>In September 2017, the Internal Audit Manager had resigned and left the Company. The Audit Committee Chairman had interviewed several candidates and Miss Snowy Khoo has been appointed as the new Internal Audit Manager. Miss Snowy Khoo has over 10 years of internal and external audit experience and she is a Fellow of Association of Chartered Certified Accountants, United Kingdom.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company engages its stakeholders in various methods. Through the AGM, its Annual Report and the announcements made on Bursa, the Company disseminates information to its shareholders. The Company also meets up with investment analysts and fund managers periodically.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Annual Report adopts the format of an integrated report where it communicates comprehensive information of the financial results, management and discussion analysis on the operations of the Company, governance and sustainability measures and activities. The Company shall seek to adopt the framework over time.	
		Alternative: Integrated reporting as set out above.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Integrated Reporting based on the framework	
Timeframe	:	Within 3 years	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company will provide 28 days prior notice for the coming AGM in 2018.	
Explanation for departure	:	Please provide an explanation for the departure.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	The Company's AGM in 2017 was attended by all Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied	
Explanation on application of the practice	:	The Company holds its meetings in places easily accessible by its shareholders. There is no necessity for remote shareholder participation.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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