

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0021
COMPANY NAME : GHL SYSTEMS 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 | : | The Board's leadership, objectives, goals and strategic aims are discussed in Annual Report FY2017 'Roles and Responsibilities' set out in the Statement of Corporate Governance. |
| 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 | : | The Board effectively represents and promotes the interests of the shareholders with a view to add long term value to the Company's shares. Further details of Board's and Chairman's responsibilities are set out in Board Charter available in company's official website at www.ghl.com . | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.3

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

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|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of Board is held by Datuk Kamaruddin Bin Taib and role of CEO is held by Leong Kah Chern. A clear division of responsibility between the Chairman and the CEO exists to ensure a balance of power and authority as no one individual director has unfettered powers over decision making. Details are available in Annual Report 2017 'Chairman and CEO' set out in the Statement of Corporate Governance | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.4

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board is supported by an outsourced Company Secretary who facilitates overall compliance with the MMLR and Companies Act, 2016 and other relevant laws and regulations. Details on Company Secretary's responsibilities are available in Annual Report 2017 'Company Secretary for the Board' set out in the Statement of Corporate Governance | |
| 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.

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|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | Respective department within the Company strive to provide meeting materials to the Directors five (5) days prior to Board/Committee meetings. Minutes are kept to record proceedings of meeting and circulated in a timely manner upon completion of meetings. | |
| 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 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 Company's Board Charter, adopted by the Board in 2012 that clearly sets out the role, functions, composition, operation and process of the Board, is available at Company's official website at www.ghl.com . The Charter ensures that all Directors are aware of their duties and responsibilities as Board members and acts as a source of reference and primary induction literature for prospective Board members and Senior Management on good corporate governance. |
| 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 acknowledges and emphasises the importance for all Directors and employees to embrace the highest standards of corporate governance practices and ethical standards. In view of this, the Board has formalised ethical standards and systems of compliance through the Company's code of conduct aiming to emphasise the Company's commitment to ethics, compliance with applicable laws and regulations, use of confidential information and retention of records. The Code of Ethics and Conduct is available in the official website at www.ghl.com . |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | The Board has established a Whistle-Blowing Policy that enables any employee of the Group to bring to the attention of the Board any concerns regarding integrity and misconduct via email at wb@whistleblowerghl.com . |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

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

| | | |
|---|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>During the financial year, the Board consisted of five members, comprising one Executive Directors and four Non-Executive Directors (of which two were independent, including the Chairman). The current Board composition complies with the Main Market Listing Requirements of Bursa Malaysia that require a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors. However, in accordance to the MCCG Code, the Board does not have majority presence of Independent Non-Executive Directors.</p> <p>The Board is satisfied with the current composition that provides a balance mix of executive and non-executive members. The current Board brings with it a broad range of business, financial, technical and public service background. This balance facilitates the Board to provide clear and effective leadership to the Group and bring informed and independent judgement to many aspects of the Group's strategy and performance</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | Notwithstanding the above, the Board functions in a manner that promotes an open environment where the Directors are able to exercise independent judgement and the interests of shareholders are always at the forefront when important decisions are made by the Board. The Board will continuously review the Board composition annually during NRC meetings. |
| 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 4.2

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

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

| | | | |
|--|---|--------------------------------------|--|
| Application | : | Not applicable - Step Up 4.3 adopted | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Board through its Charter has a policy which limits tenure of an Independent Director to nine (9) years. |

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.

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|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board is cognisant of the recommendation on boardroom diversity in MCCG. The recruitment of Directors is based on set criteria and merits that is not based on any gender discrimination or preferences. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.5

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Although the Company does not have any boardroom diversity policy, the Board believes that recruitment of Directors should not be based on any gender discrimination or preferences, as it is equally important to have the right mix of skills at the Board in order to enable the Board and its committees to carry out its duties effectively. | |
| | | Recruitment of directors is based on set criteria and merits that is not based on any gender discrimination or preferences. | |
| <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

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Nomination and Remuneration Committee have an option to outsource Director candidate search to professional firms, if necessary, to ensure that a diverse range of candidates are considered or accept recommendations by any Board member but the Committee should not be influenced by major controlling/dominant shareholders or the CEO/Executive Directors. | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
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Intended Outcome

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Nomination and Remuneration Committee is chaired by Mr Fong Seow Kee, Senior Independent Non-Executive Director. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
| | | | |

Intended Outcome

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

Practice 5.1

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The Committee carried out an annual assessment of the Board and Board Committees as a whole and of each Director. Assessment of the Board as a whole and Board Committees covered four main areas, namely structure, roles and responsibilities, risk management and standard of conduct. Assessment of each individual Director included their respective skills and knowledge, contribution to business strategies and Group's performance, contribution to Board processes, time commitment and standard of conduct. In addition for Non-Executive Directors, independence was assessed based on their annual declaration and other requirements stated in MMLR. NRC assessment for FY2017 was considered to be satisfactory. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.1

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company has in place a fair and competitive remuneration packages for its Directors and Senior Management in order to attract and retain Directors of an appropriate calibre. Executive Directors' basic salaries are fixed for the duration of their contract. Any revision to the basic salary will be reviewed and recommended by NRC, taking into account the individual and the Company's performance, the inflation price index, the affordability, and benchmarking to the industry's rate.</p> <p>The remuneration of Senior Management comprises primarily of a basic salary component and a variable component which includes bonuses rewarded based on the performance of the Company, the Group as a whole, and individual performance.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | On 8 April 2013, the Board of Directors resolved that the Nomination Committee and Remuneration Committee be combined and renamed as the Nomination and Remuneration Committee. The Terms of Reference was reviewed to ensure it is still in line with the recommendations of the MCCG and remain consistent with the Committee's objectives and responsibilities. Term of Reference is available on the Company's official website at www.ghl.com . |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The breakdown of the Directors' remuneration and the number of Directors in the remuneration is available in Annual Report 2017 'Directors' Remuneration'. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.2

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

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|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Due to the existing industry competition to retain and recruit key talent, the Board is of the opinion that it is in the best interest of the Company to disclose the the Company's top five Senior Management personnel's remuneration in bands of RM300,000 during FY 2017. | |
| | | | |
| <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

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

Practice 7.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | The Board discloses remuneration of Senior Management by providing a breakdown indicating the level and mix of remuneration for each of the top five Senior Management personnel in bands of RM300,000 during FY 2017. |

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.

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|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | Audit committee is chaired by Mr Fong Seow Kee; while the Board is chaired by Datuk Kamaruddin Bin Taib. | |
| 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 | : | <p>Our Auditor Policy covers the hiring of personnel of the External Auditor to certain positions that may compromise the arm’s length relationship that must exist between the Group and the External Auditor. Any person appointed from the External Auditor in a role where the person has significant influence within the Group (i.e. Director, Chief Financial Officer etc.) is subject to a two years cooling-off period in which the person must not be involve in the Group’s audit for two years prior to being appointed.</p> <p>Details of the Auditor Policy are available on the Company’s official website at www.ghl.com.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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 | : | The Committee is responsible for the review of the performance, suitability, and the External Auditor independence in fulfilling their responsibilities as set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants as adopted by Malaysian Institute of Accounts, and the Group policy on Auditors Independence by covering the calibre of the external audit firm; quality of processes and performance during the audit; skills, industrial knowledge and objectivity; and their communications with ARC. | |
| 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 | : | Audit Committee composition comprises 2 Independent Directors and 1 Non-Independent Director. The Board believes that the current ability of the Audit Committee is sufficient to exercise their judgment in an informed and impartial manner to fulfil the Audit Committee's mandate responsibilities, especially in overseeing the areas of financial reporting, related party transactions and conflicts of interest, internal control environment, internal audit, and external audit processes. |

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 | : | All members of the Audit Committee are financially literate with one Director whom is a member of the Malaysian Institute of Accountants. Details on the Directors' qualification are available in Annual Report 2017 "Directors' Profile". In their effort to keep abreast with the changes in the industry, legislation and regulations affecting the Company, the Directors have during the course of the year attended briefings, conferences and seminars. Details on Directors' training attended during the year are available in the Annual Report 2017 "Directors' Training". |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board acknowledges its responsibility for the Group's system of internal controls which covers financial, operational and compliance controls as well as risk management. The Board has delegated to the Audit and Risk Committee the responsibility of reviewing the effectiveness of control procedures and risk management framework and to report to the Board on all its findings and recommendations for deliberations.</p> <p>The Statement of Risk Management and Internal Control in the Annual Report explains responsibilities of the Board in risk management and internal control and the key internal control processes.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Statement of Risk Management and Internal Control in the Annual Report explains responsibilities of the Board in risk management and internal control and the key internal control processes. | |
| 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 | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Risk Management Committee ("RMC") was established by the Board in 2012 as a key component of the Risk Management Framework. The RMC, which is headed by the Group's Chief Executive Officer ("CEO"), comprises the Group's Chief Financial Officer ("CFO") and country heads.</p> <p>RMC reports to Audit and Risk Committee ("ARC") in which 2/3 are independent directors is in the ARC.</p> |

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 | : | The Group has established an Internal Audit function as a key component of its internal control appraisal process. The Group Internal Audit reports independently to the Audit Committee and is guided by a formalised Internal Audit Charter and The Institute of Internal Auditor’s International Professional Practice Framework. | |
| 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>GIA is headed by Mr. Liow Tien Chin, a member of Chartered Professional Accountant (CPA) Australia and Chartered Member of The Institute of Internal Auditors Malaysia with more than 10 years of experience in the profession. GIA department is supported by a reasonable workforce whom possesses the relevant qualification and experience and has adequate resources to fulfil the Internal Audit plan for the next financial year.</p> <p>ARC is satisfied that the Internal Audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 11.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is committed to provide a balanced, clear, and comprehensive assessment of the financial performance and prospects in all the disclosures made to the stakeholders and the regulatory authorities.</p> <p>The Group strives to engage stakeholders by listening, providing accurate information, and responding to stakeholders’ interests in a prompt and consistent manner. Annual general meeting, quarterly business reviews, and press releases are conducted to ensure that stakeholders are kept abreast of the latest Company’s events.</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 11.2

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 | : | In the application of this Practice, GHL recognised the importance of integrated reporting based on a globally recognised framework premised such as Integrated Reporting <IR> Framework, issued by the International Integrated Reporting Council (“IIRC”) in December 2013. | |
| | | GHL strive to provide disclosures on the Company’s value creation in a credible, systematic, and comprehensive manner through Management Discussion and Analysis in the Annual Report. | |
| <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 12.1

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 | : | Annual General Meeting for FY2017 is held on 30 May 2018 and the Notice was sent to the shareholders on 26 April 2018. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
| | | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | All Directors attended the AGM during FY2017. ARC and NRC Directors were present during respective ARC and NRC meetings. The Chairman and Directors were available during meetings to receive any relevant questions. | |
| 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 | : | <p>Notice of AGM together with proxy form allow shareholders to vote in absentia or by proxy, provided that the proxy shall have been appointed by the shareholder himself or by his duly authorised attorney or representative provided further that it is filed at the registered office of the Company for at least 48 hours before the AGM.</p> <p>The Company ensures that all valid proxy or corporate representative or attorney appointments received are properly recorded and counted. The Chairman announces the poll voting results at the AGM, and the poll results are announced on the same day through Bursa Link service and on the Company's official website at www.ghl.com.</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 | : | |

**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.

| |
|----------------|
| Not applicable |
|----------------|

