

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 2682  
**COMPANY NAME** : AMALGAMATED INDUSTRIAL STEEL BERHAD  
**FINANCIAL YEAR** : 31 DECEMBER 2017

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The business and affairs of the Group is managed by or under the direction of the Board. The role of the Board is to collectively set the strategic direction of the Group by reviewing and adopting a strategic plan for the Group jointly with the management, namely the Executive Directors, the Chief Operating Officer and the Chief Financial Officer and/or General Manager - Finance. This revolves on the strategic direction, corporate positioning and business propositions ("Strategies") to be undertaken by the Group.</li> <li>▪ The Board deliberates on these Strategies and the Executive Director, the Chief Operating Officer and/or the Chief Financial Officer and General Manager - Finance will provide the relevant updates at the Board meetings should there be any significant developments so that the Board is able to monitor the Strategies are being effectively implemented in accordance with the mandate by the Board.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>▪ The Chairman of the Company, Dato' Ghazali Bin Mat Ariff, who was appointed to the Board on 9 December 2003, is the Independent Non-Executive Chairman. As the Chairman, Dato' Ghazali Bin Mat Ariff provides the necessary leadership role and presides over the meetings of the Board to ensure that the Board performs its responsibilities effectively and discharge its fiduciary duties diligently and with integrity.</li><li>▪ Other than leading the Board meetings and discussions and meeting of shareholders, the Chairman ensures that all relevant issues for the successful stewardship of the Group's business are on the Board agenda to facilitate effective decision making by the Board. This is facilitated by:-<ul style="list-style-type: none"><li>(a) setting the Board agenda in consultation with the Company Secretary and ensuring that Board members receive complete board papers with adequate level of details for deliberation and discussion at the Board meetings in a timely manner;</li><li>(b) encouraging active participation amongst the Board members and allowing dissenting views of Board members to be freely expressed and thereafter duly recorded by the Company Secretary;</li><li>(c) managing the interface between board and management by providing the directives of the Board to be implemented by the management and the appropriate actions to be followed up via the resolution of outstanding matters documented in minutes of the Board and Board Committees;</li><li>(d) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole. This is achieved via several channels including electronic communication, holding of media interviews and analysts' briefings; and</li><li>(e) leading the Board in establishing and monitoring good corporate governance and sustainability practices.</li></ul></li></ul>

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

## Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The Chairman of the Company is not related to any of the Directors or major shareholders of the Company.</li> <li>▪ His roles and functions are clearly separated and distinct from those of the Executive Directors, Dato' Lim Yew Boon and Mr. Lim Chin Sean who are specifically responsible for managing the strategic agendas and operational performance of the Group and for the execution of the directives and policies of the Board, as well as directing the business operations of the Group on a day-to-day basis.</li> <li>▪ As stipulated under the Board Charter, the positions of Chairman and the Executive Directors are to be held by different individuals, and the Chairman must be a Non-Executive member of the Board.</li> <li>▪ The separation of duties is to reinforce the independence of the Board and ensuring the balance of power and authority between the Chairman and the Executive Directors with a clear division of responsibility between the running of the Board and the Company's business respectively.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <ul style="list-style-type: none"><li>▪ The Group engages the services of Symphony Corporatehouse Sdn. Bhd., a well-known and established corporate service provider, to provide secretarial services to the Group.</li><li>▪ The Company Secretaries, Ms. Chen Bee Ling ("Ms. Chen") and Ms. Foo Ing Ing ("Ms. Foo"), appointed by the Group since 2016 and 2017 respectively, are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. Ms. Chen is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and Ms. Foo is a licensed secretary registered with the Companies Commission of Malaysia ("CCM").</li><li>▪ To ensure effective functioning of the Board, the Company Secretaries regularly update and advise the Board on the changes to statutory and regulatory requirements relating to its duties and responsibilities either via email or circulation of board papers.</li><li>▪ The Company Secretaries play and advisory role to the Board in relation to the Company's constitution and ensure compliance with the relevant security laws, regulatory requirements and principles and practices of corporate governance under the Malaysian Code of Corporate Governance.</li><li>▪ Every member of the Board has unrestricted access to the advice and services of the Company Secretaries.</li><li>▪ The Company Secretaries attend all Board and Board Committees meetings, ensuring that the deliberations and decisions made by the Board and Board Committees respectively are recorded and documented with any dissenting decisions by any members of the Board or Board Committees recorded accordingly.</li><li>▪ The Company Secretaries ensure that the records of the proceedings of the Board and Board Committees meetings are properly kept at the registered office of the Company.</li></ul>

	<ul style="list-style-type: none"> <li>▪ The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in company law, listing requirements and corporate governance through attending relevant seminars, conferences and training programmes.</li> <li>▪ The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions.</li> <li>▪ The appointment and termination of the Company Secretaries are at the absolute discretion of the Board.</li> <li>▪ As the Company Secretaries play an important role in ensuring that the Company and the Board adhere strictly to the Main Market Listing Requirements and the applicable laws, their role and functions are clearly spelt out in the Board Charter.</li> </ul>
<b>Explanation for departure</b> :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<b>Access to Information from the Company</b> <ul style="list-style-type: none"><li>▪ The Directors in discharging their duties and responsibilities are entitled to have full and unrestricted access to both financial and non-financial information and to management on matters relating to the Group's operational and financial performance.</li><li>▪ Prior to each meeting of the Board and Board Committees, the Company Secretary will circulate to members of the Board and Board Committees within seven days prior to the meetings via email, the agendas and as soon as all the Board papers are made available, a set of the Board papers containing reports and other relevant information to enable the members of the Board and Board Committees ample time to review the documents and subsequently to be able to make informed decisions at the meeting of the Board and Board Committees.</li><li>▪ The Board papers are circulated to the Board and Board Committees via email to ensure that the Board and Board Committee members have sufficient time to review the Board papers and at the same time, hard copies of the Board papers are compiled and despatched to them by hand.</li><li>▪ The Board papers may include financial, strategic corporate proposals and other matters of interest including Board reserve matters that require the Board's deliberation and approval.</li><li>▪ The Chief Operating Officer, the Chief Financial Officer and the General Manager – Finance will be invited to attend the Board Meeting, if required, to provide additional information or explanation on the relevant agendas tabled at the meeting.</li><li>▪ The Chief Operating Officer, the Chief Financial Officer and the General Manager - Finance will be present during meetings of the Audit and Risk Management Committee whereas the external auditors maybe invited to attend the meetings, if required, to provide additional information on the relevant agendas tabled at</li></ul>



	<p>the meeting.</p> <ul style="list-style-type: none"> <li>▪ For meeting of the Remuneration Committee, the committee member will sit in for the meeting.</li> <li>▪ At all the Board and Board Committee meetings, the Company Secretary will be in attendance.</li> </ul> <p><b>Board Meetings</b></p> <ul style="list-style-type: none"> <li>▪ The Board meets on a quarterly basis, to amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretary, after consultation with the Chairman.</li> <li>▪ The dates for Board and Board Committee meetings for the year will be circulated by the Company Secretary well in advance at the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the annual general meeting. At the end of each Board and Audit and Risk Management Committee meetings, the date of the next meeting is to be re-confirmed.</li> <li>▪ Besides Board meetings, the Board also exercises control on matters that require its approval through circulation of resolutions. These are only limited to non-complex transactions that would not require rigorous deliberation. Summary of circular resolutions, which have been passed since the last Board meeting, would be circulated for notation at the next Board meeting and minuted accordingly.</li> <li>▪ The Board would normally allocate its time at scheduled Board meeting during the year as follows:- <ul style="list-style-type: none"> <li>▪ reviewing the Quarterly Operational Report comprising the operational performance of the various business units, their key performance indicators, status of trade receivables and collections and any incidence of fraud;</li> <li>▪ reviewing the Quarterly Financial Reports and Annual Budgets;</li> <li>▪ reviewing the reports and minutes of each of the Board Committees; and</li> <li>▪ legal and secretarial matters including any updates/pronouncements from the stock exchange, new legislation and regulatory developments.</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>▪ Minutes of meeting of the Board and Board Committees are prepared by the Company Secretary and circulated to the Board and Board Committees for their review, prior to their confirmation at the subsequent Board and Board Committees meeting.</li> <li>• Prior to the Company Secretary tabling the minutes of the Board and Board Committee meetings at the subsequent Board and Board Committee meetings respectively, the draft minutes will be circulated to the Chairman of the Board and the Board Committees, as the case maybe, for their review.</li> <li>• The minutes will record the Board’s and Board Committees’ deliberations in terms of issues discussed and the conclusions thereto to provide a historical record and insight into decisions made by the Board and Board Committees including contrary views expressed by any of the members.</li> <li>• Minutes of meeting of the Board and Board Committees would also indicate the number of Board and Board Committees meetings that had been attended by each member of the Board and Board Committees and they are notified in advance the date and time of Board and Board Committee meetings that are to be held during the year.</li> <li>• Minutes of proceedings and resolutions passed are kept in the statutory register at the registered office of the Company.</li> <li>• A Director, who is, in any way, directly or indirectly interested in any proposed transaction to be entered by the Company or by the Group, will be required to make a declaration to that effect and the Director concerned will then abstain from any decision-making process in which he/she has an interest in.</li> </ul>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The Board has adopted a board charter (“Board Charter”) which sets out a list of specific functions that are reserved for the Board. This Board Charter serves not only as a reminder of the Board’s roles and responsibilities, but also as a general statement of intent and expectation as to how the Board will discharge its duties. The Board Charter addresses, among others, the following matters: <ul style="list-style-type: none"> <li>(a) a general outline of the Board’s purpose;</li> <li>(b) an overview of the Board’s roles and responsibilities;</li> <li>(c) structure and membership, including a requirement that at least two (2) or one-third of members, whichever is higher, shall comprise of Independent Directors;</li> <li>(d) a formal schedule of matters reserved for the Board;</li> <li>(e) a position description of the role of the Chairman, the Executive Directors, the Independent Directors as well as the Company Secretary; and</li> <li>(f) the appointment of Board Committees.</li> </ul> </li> <li>▪ The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board’s responsibilities.</li> <li>▪ The Board Charter is reviewed from time to time when there are significant developments requiring the Board Charter to be amended. Since the first adoption, the Board Charter has been revised, the last two revisions being in 2017 and 2018.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ The Board Charter, now clearly spelt out that the duties of a Senior Independent Director which shall include acting as an intermediary for other Directors and the point of contact for the shareholders and other stakeholders, when necessary.</li> <li>▪ A copy of the Board Charter is published in the Company's website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a></li> </ul>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ul style="list-style-type: none"> <li>▪ The Directors' Code of Ethics ("the Directors' Code") was first adopted in 2013 and is to be reviewed from time to time when there are significant developments requiring the said Code to be amended. The Directors' Code of Ethics was revised in March 2018.</li> <li>▪ The Directors are expected to adhere to the Directors' Code of Ethics which is based on ethical principles of professionalism, integrity, objectivity, accountability, commitment, transparency, honesty and corporate social responsibility to enhance the Group's standard of corporate governance and behaviour.</li> <li>▪ This Code sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as Directors of the Company or when representing the Company and includes the expectation of professionalism, integrity and trustworthiness from the Directors.</li> <li>▪ The main thrust of the Code of Business Conduct and Ethics for Directors are in the following areas: -             <ul style="list-style-type: none"> <li>(a) Compliance with applicable laws and regulations</li> <li>(b) Maintain the highest ethical standards and uphold corporate values</li> <li>(c) Conflict of interest</li> <li>(d) Personal and Family Relationships</li> <li>(e) Gifts, Gratuities and/or Bribes</li> <li>(f) Confidentiality</li> <li>(g) Insider Dealings</li> </ul> </li> <li>▪ In the latest revisions made to the Code of Business Conduct and</li> </ul>

	<p>Ethics for Directors, money laundering, abuse of power and commitment against corrupt practices were new additions included in the said code.</p> <ul style="list-style-type: none"> <li>▪ A copy of the Code of Directors' Code of Ethics for Directors is published in the Company's website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a></li> <li>▪ A separate Code of Conduct containing policies and guidelines relating to standards and ethics for all employees, sexual harassment and disciplinary procedures are given to all employees upon their employment with the Group. This Code of Conduct is incorporated into the Employment Handbook which was last revised in 2017.</li> </ul>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<ul style="list-style-type: none"><li>▪ The Group has implemented a “Policies and Procedures for Reporting of Legitimate Concerns” raised by employees. This policy is a specific mean by which employees can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Group’s policies and regulatory requirements in a responsible and sensible manner.</li><li>▪ The objectives of this policy are:<ul style="list-style-type: none"><li>(a) to provide an established channel for legitimate concerns to be raised and where necessary, to take appropriate action to resolve such issues promptly and effectively within the Group;</li><li>(b) to protect the integrity of the concerned employee, the Group, the Board and the management by standing up to any public scrutiny through the proper and effective implementation of the Policy; and</li><li>(c) to protect an employee from any form of harassment, reprisal or retaliation as a direct consequence of them reporting any legitimate concerns under the Policy. The protection accorded is to encourage them to report such legitimate concerns whilst removing any fear or risks and to safeguard their identity.</li></ul></li><li>▪ Under the Policy, any affected stakeholders can address their concerns pertaining to matters of the Group to: -<ul style="list-style-type: none"><li>(a) Datuk Sulaiman Bin Salleh, Senior Independent Non-Executive Director and the Chairman of the Audit &amp; Risk Management Committee.</li></ul></li><li>▪ When a legitimate concern is reported, it will be acknowledged and immediately thereafter forwarded to the relevant parties who will conduct a preliminary investigation to determine whether it merits further investigation. Any conclusion arrived therefrom as soon as a decision is made will be informed to the party who reported the legitimate concerns.</li><li>▪ The whistle-blowing Policy and Procedures have been</li></ul>

	<p>incorporated into the Employment Handbook which is distributed to all employees setting out the channels for reporting of legitimate concerns, procedures (including how their report will be dealt with and the conclusion arrived therefrom as soon as a decision is made), employees' safeguards etc.</p> <ul style="list-style-type: none"> <li>▪ The whistle-blowing Policy and Procedures for Reporting of Legitimate Concerns was adopted in 2013 and was last revised on 2017.</li> <li>▪ The Whistle-Blowing Policy and Procedures is accessible through the Company's website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a></li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The Board consists of five (5) principal directors and one (1) alternate director. Out of the five (5) principal directors, two (2) are Executive Directors and three (3) are Independent Non-Executive Directors.</li> <li>▪ The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors with a wide range of professional skills, which are necessary for the business direction of the Group.</li> <li>▪ A brief profile of each Director is presented on pages 9 to 11 of the Annual Report.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Partially Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>▪ The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years. However, the Board is mindful that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and upon completion of nine (9) years, to re-designate the director as Non-Independent Director if he continues to serve on the Board pursuant to the Code. If the Board intends to retain an Independent Director beyond nine (9) years, the Company should justify and seek shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek shareholders' approval through a two-tier voting process and the manner to obtain the shareholders' approval on the resolution shall follow the recommendation of the Code.</li><li>▪ The Board further recognizes that the tenure is not the absolute indicator of a Director's independence and objectivity wherein the spirit, intention, purpose and attitude, background and current activities should also be considered. Both Tuan Haji Fauzi Bin Mustapha and Datuk Sulaiman Bin Salleh have served the Board for more than nine (9) years as Independent Directors. Thus, shareholders' approval will be sought to retain them as Independent Directors of the Company. The Nomination Committee and the Board have performed an assessment on the independence of the Independent Directors based on the criteria approved by the Board. Upon the Nomination Committee's recommendation, the Board recommended for shareholders' approval the retention of Tuan Haji Fauzi Bin Mustapha and Datuk Sulaiman Bin Salleh as Independent Non-Executive Directors, based on the following justifications:<ul style="list-style-type: none"><li>• they fulfilled the criteria under the definition of Independent Directors as stated in the Main LR of Bursa Securities;</li></ul></li></ul>

	<ul style="list-style-type: none"> <li>• they have vast experience in a diverse range of businesses which enable them to provide constructive and independent judgment in the best interest of the Company;</li> <li>• they have ensured that there is effective check and balance in proceedings of the Board and Board Committees and have actively participated in Board’s deliberations, provided objective and independent opinion to the Board; and</li> <li>• they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company and exercised due care in the interest of the Company and shareholders.</li> </ul> <ul style="list-style-type: none"> <li>▪ The tenure of the Independent Directors can be found on Page 27 (Paragraph 1–Tenure of Independent Directors) of the Annual Report</li> </ul>
<b>Explanation for departure</b>	: Annual Shareholders’ approval is sought for retention of Independent Directors more than twelve years through normal voting process, and not through two-tier voting process.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:
<b>Timeframe</b>	:

### **Intended Outcome**

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

### **Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	See explanation in Practice 4.2 above

## Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ Appointments of Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background.</li> <li>▪ The Nomination Committee is responsible for recommending to the Board the appointment of new directors by evaluating and assessing the suitability of candidates for board membership.</li> <li>▪ The board diversity, age profile and skill-set of the Board members can be found on Pages 9 to 11 of the Annual Report under “Profile of Directors”.</li> <li>▪ The profile of the senior management can be found in the Company’s website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a></li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The Board does not have a policy on board composition having regard to gender diversity. However, the Board Charter specifies that, as a matter of policy, the Board shall consist of qualified individuals with diverse experience, background and perspective and the Board has taken into consideration the varied mix of board diversity, skill-set and qualification of candidates chosen to be members of the Board.</li> <li>▪ Under the Board Charter, as a matter of policy, the Board shall promote diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors.</li> <li>▪ The Board believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as assist the Board in its decision-making process in line with the challenging and evolving business environment.</li> <li>▪ The Board has not formalised any gender diversity policies and targets and the measures taken to meet those targets both at the Board and management levels. It is the intention of the Board to provide equal opportunity to suitable candidates who have the necessary competency and experience to bring value to the Board and to the management of the Group.</li> <li>▪ Under the Board Charter, the Board has mandated that the composition of the members of the Board should always comprise of mixed genders to bring about a more diverse perspective to issues faced by the Group.</li> </ul>
<b>Explanation for departure</b>	:	The Board through the Nomination Committee will take the necessary steps to ensure that women candidates are sought as part of its recruitment exercise to encapsulate gender diversity.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

## Intended Outcome

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

### Practice 4.6

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ Under the its terms of reference, when identifying potential candidates for nomination as director, the Nomination Committee may consult whatever sources it deems appropriate, including, but not limited to, referrals from existing Directors or officers, recommendations from a third-party search firm, or recommendation from shareholders.</li> <li>▪ With respect to the recommendation of nominees by shareholders, the Nomination Committee shall have the authority to retain whatever advisors (including attorneys and search firms) it believes appropriate in its efforts to identify and evaluate the potential nominees.</li> <li>▪ The Nomination Committee shall make an initial assessment of each candidate. It shall select from this pool one or more candidates for an initial interview. No candidate shall be selected for recommendation to the Board without such candidate having been interviewed by a majority of members of the Nomination Committee in attendance. When the Nomination Committee identifies an individual that it believes meets the criteria and should be elected as director, it will forward its recommendation to the Board.</li> <li>▪ In assessing the suitability of a candidate for the position of a Board member, the Nomination Committee is guided by the criteria set out in its terms of reference whereby the following criteria should be considered by the Nomination Committee in the recruitment process before making any recommendation to the Board for consideration: -             <ul style="list-style-type: none"> <li>▪ mix of skills;</li> <li>▪ knowledge, expertise and experience;</li> <li>▪ professionalism;</li> <li>▪ integrity;</li> <li>▪ diversity (including gender diversity and diversity in ethnicity and age);</li> <li>▪ ability to discharge the responsibilities expected by the Board as stated in the Board Charter; and</li> <li>▪ time commitment.</li> </ul> </li> </ul>



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

## Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The Nomination Committee is made up entirely of non-executive directors, the majority of whom are Independent Directors in compliance with paragraph 15.08A(1) of the Main Market Listing Requirements.</li> <li>▪ The Nominating Committee is chaired by Datuk Sulaiman Bin Salleh, who is the Senior Independent Non-Executive Director.</li> <li>▪ The composition of the Nominating Committee can be found on Page 24 (b) of the Annual Report.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>▪ To carry out the tasks of reviewing on an annual basis the effectiveness of the Board as a whole, Executive Director, Independent Directors, Board Committees and the contribution of each individual Director and the required mix of skills and experience and other core qualities, including core competencies, which the Directors should bring to the Board, the Nominating Committee has adopted the following performance evaluation forms: -<ul style="list-style-type: none"><li>(a) <i>Audit and Risk Management Committee Evaluation Questionnaire</i><ul style="list-style-type: none"><li>(i) Used to evaluate the performance of the Audit and Risk Management Committee over 3 sections covering 38 questionnaires.</li><li>(ii) The Nominating Committee unanimously agreed to accept the summary of the self-assessed and peer-assessed performance evaluation questionnaires on the all the Audit and Risk Management Committee members as presented to the Nominating Committee and recommended it to be tabled at the Board for further deliberation and notation.</li><li>(iii) Several issues were raised by the Nominating Committee and this included implementing a succession plan for the Chairman of the Audit and Risk Management Committee where possible choices were to be named, written policy on the independence of external auditors and having a separate email for the Chairman of the Audit and Risk Management Committee under the whistle-blowing provision.</li><li>(iv) These measures have been implemented during the year.</li></ul></li></ul></li></ul>

*(b) Independent Directors' Self-Assessment Checklist*

- (i) Used to assess whether the existing Independent Directors meet the requirements as independent directors. All the Independent Directors are required to self-assess themselves over 22 questionnaires and thereafter the Nominating Committee will review and make an overall assessment.
- (ii) It was concluded that all the Independent Directors meet the requirements as independent directors and the Nominating Committee unanimously agreed to accept the summary of the self-assessed performance evaluation sheet on the individual independent directors as presented to the Nominating Committee and recommended it to be tabled at the Board for further deliberation and notation.

*(d) Directors'/Key Officers' Self-Assessment Evaluation Form*

- (i) Used as an evaluation form for individual Directors. Under this assessment, Directors self-assessed themselves and other Directors separately over 30 questionnaires, and thereafter their score are tabulated and compared to the average score for all Directors.
- (ii) It was concluded that all the directors have achieved above average rating and the Nominating Committee unanimously agreed to accept the analysed summary of the self-assessed and peer-assessed performance evaluation report on each individual director as presented to the Nominating Committee and recommended it to be tabled at the Board for further deliberation and notation.

*(e) Board Skills Matrix Form*

- (i) Used as a general assessment of the composition, knowledge, skills and experience of the current Board. Directors are assessed by the Nominating Committee over 8 sections.
- (ii) The Nominating Committee unanimously agreed to all the answers on the Board Skills Matrix Form, as completed by the Nominating Committee and recommended it to be tabled at the Board for further deliberation and notation.

*(f) Board and Board Committees Evaluation Form*

- (i) Used to assist the process of evaluating the Board and Board Committees. The criteria used by the Nominating Committee in evaluating the Board are in a set of 35 questionnaires in the following areas: -

- (a) Board mix and composition
- (b) Quality of information & decision making
- (c) Boardroom activities

whereas the criteria in evaluating the Board Committees are in a set of 8 questionnaires.

(ii) The Nominating Committee unanimously agreed to all the scores on the Board and Board Committee Evaluation Forms, as completed by the Nominating Committee and recommended it to be tabled at the Board for further deliberation and notation.

- Where any of the member of the Nominating Committee is required to assess themselves as a member of any of the Board Committees, they will be required to abstain from the assessment exercise in respect of his/her performance in that Board Committee.
- The above assessments were undertaken together with the external Company Secretary and the Board did not engage any other external party to undertake an independent assessment of the Directors.
- The Nomination Committee met once during the year in review, i.e. on 14 February 2018 and the following matters were discussed: -
  - (a) to review the Assessment Report on Individual Director and make appropriate recommendation to the Board;
  - (b) to review the Independent Director Self-Assessment Report and make appropriate recommendation to the Board;
  - (c) to assess the effectiveness of the Board and Board Committees and make appropriate recommendation to the Board;
  - (d) to review the term of office and performance of the Audit and Risk Management Committee and each member and make appropriate recommendation to the Board;
  - (e) to discuss training requirements for Directors; and
  - (f) to recommend the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution.

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

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>▪ The remuneration policy of the Board members including the Directors' fees and meeting allowances can be found on Page 30 of the Annual Report.</li> <li>▪ There were no policies and procedures to determine the remuneration of senior management established during the year.</li> </ul>	
		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>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>▪ During the year, the remuneration of the senior management does not come under the responsibility of the Remuneration Committee.</li> <li>▪ The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board members.</li> <li>▪ The terms of reference of the Remuneration Committee are available on the Company's website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a>.</li> </ul> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on a named basis for the remuneration of individual Directors of the Company is set out on Page 30 of the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b> :	Departure
<b>Explanation on application of the practice</b> :	
<b>Explanation for departure</b> :	<ul style="list-style-type: none"><li>▪ The Board discloses the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 on Page 30 of the Annual Report but not on an individual named basis due to confidentiality and sensitivity of their remuneration package. It is also envisaged that the disclosure of individual remuneration package of senior management is not in the best interests of the Group as it may create and foster animosity amongst the senior management as well as facilitating poaching of key management staff by competitors.</li><li>▪ Currently, under the Group's staff evaluation and assessment policy, the individual senior management undertakes a self-appraisal exercise to assess their performance.</li><li>▪ Under the self-appraisal process, senior management are required to record and elaborate on their achievement of goals, tasks and KPIs for the year. They are also required to explain on any shortcomings and difficulties faced during the year and their succession planning. These are then reviewed by their immediate superior.</li><li>▪ The profile of the senior management is listed in the Company's website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a> and also on pages 12 to 13 of the Annual Report.</li></ul>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	

<b>Timeframe</b>	:	Others	Please specify number of years.
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**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>▪ The roles of the Chairman of the Board and the Chairman of the Audit and Risk Management Committee are assumed by different Directors.</li><li>▪ The Chairman of the Board is Dato' Ghazali Bin Mat Ariff while the Chairman of the Audit and Risk Management Committee is Datuk Sulaiman Bin Salleh.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Currently, there is no written policy by the Board that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as member of the Audit and Risk Management Committee.	
		No key audit partner has been appointed before to the Board of the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>▪ The role of the Audit and Risk Management Committee in relation to the External Auditors is found on pages 39 to 43 of the Annual Report under "Audit and Risk Management Committee's Report". The management maintains a transparent working relationship with the External Auditors in seeking professional advice and ensuring compliance with the applicable accounting standards.</li><li>▪ The Audit and Risk Management Committee will meet with the External Auditors at least twice a year without the presence of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit and Risk Management Committee are duly recorded by the Company Secretary.</li><li>▪ To ensure that the objectivity of the External Auditors is not compromised, the Company has always maintained a transparent and appropriate relationship with its auditors in seeking professional advice and ensuring compliance with relevant practices in Malaysia.</li><li>▪ A summary of audit and non-audit fees provided for the year by the External Auditors is disclosed under section "Additional Compliance Information" on page 34 of the Annual Report. The amount of fees paid for non-audit fees, which comprise of fees incurred for taxation services and accounting review services did not exceed the audit fees for the Group.</li><li>▪ In presenting the Audit Planning Memorandum to the Audit and Risk Management Committee, the External Auditors have:<ul style="list-style-type: none"><li>(a) given written assurance and confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and</li><li>(b) highlighted their internal policies and procedures with respect to their audit independence and objectivity which includes</li></ul></li></ul>

	<p>safeguards and procedures and independence policy adopted. Further details can be found under the topic <i>“Assessing the Independence and Suitability of the External Auditors”</i> in the Audit and Risk Management Committee Report.</p> <ul style="list-style-type: none"> <li>▪ Prior to the re-appointment of the External Auditors for the forthcoming Annual General Meeting, the Audit and Risk Management Committee has reviewed the performance of the External Auditors using the External Auditors’ Evaluation Form.</li> <li>▪ Having taken into consideration of the above, the Board, through the Audit and Risk Management Committee, is of the view that the External Auditors are independent and suitably qualified to act.</li> </ul>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		



**Intended Outcome**

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.

<b>Application</b>	:	Applied
<b>Explanation on adoption of the practice</b>	:	The composition of the Audit and Risk Management Committee comprise exclusively of Independent Non-Executive Directors as laid out on page 30 of the Annual Report.

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ Members of the Audit and Risk Management Committee come from a diverse background and collectively, possess a wide range of necessary skills to discharge its duties to be able to understand matters under the purview of the Audit and Risk Management Committee including the financial reporting process.</li> <li>▪ During the year, members of the Audit and Risk Management Committee were guided on the significant accounting issues highlighted in the Audit Planning Memorandum and briefed by the External Auditors on financial reporting and other updates.</li> <li>▪ The Quarterly Interim Financial Reports are briefed by the General Manager - Finance to members of the Audit and Risk Management Committee and discussed and deliberated amongst the members before the said Report is recommended to be tabled to the Board for approval.</li> <li>▪ A summary of the trainings attended by the members of the Audit and Risk Management Committee can be found on Pages 28 to 29 of the Annual Report.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

## Intended Outcome

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

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

## Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b><i>Risk Management and Internal Control</i></b></p> <ul style="list-style-type: none"><li>▪ The Board is responsible for identifying and managing principal risks by establishing a sound Risk Management and Internal Control Framework within the Group by ensuring the effectiveness, adequacy and integrity of this system.</li><li>▪ The Risk Management and Internal Control Framework consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially affect the achievement of the Group's business objectives.</li><li>▪ The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments, the Group'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 Board wishes to highlight that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss due to inherent limitations.</li><li>▪ The Statement on Risk Management and Internal Control required to be made pursuant to the Main Market Listing Requirements, provides an overview on the state of risk management and internal control of the Group. The Statement on Risk Management and Internal Control is set out on pages 36 to 38 of the Annual Report.</li></ul> <p><b><i>Risk Management Working Group ("RMWG")</i></b></p> <ul style="list-style-type: none"><li>▪ The RMWG, reporting to the Audit and Risk Management Committee, is headed by the Chief Operating Officer and comprise all heads of department.</li><li>▪ The RMWG is responsible to oversee the risk management activities of the Group, approving appropriate risk management</li></ul>

	<p>procedures and measurement methodologies across the Group as well as identifying and managing strategic business risks of the Group. In fulfilling the primary objectives, the RMWG is tasked to undertake the following responsibilities and duties under its terms of reference: -</p> <ul style="list-style-type: none"> <li>(a) to promote good risk management practices and effective governance within the Group and in ensuring that roles, responsibilities and accountability in managing risks are clearly established, defined and communicated;</li> <li>(b) to create high level risk policies aligned with the Group's strategic business objectives;</li> <li>(c) to review the enterprise risk management framework for the effective identification, assessment, measurement, monitoring, reporting and mitigation of risks within the Group; and</li> <li>(d) to identify and communicate existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit and Risk Management Committee;</li> </ul> <ul style="list-style-type: none"> <li>▪ The RMWG is to present a review in each meeting of the presentation of the Quarterly Results.</li> </ul>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The features of the Group's risk management and internal control framework, and the adequacy and effectiveness of this framework is disclosed in the Statement of Risk Management and Internal Controls and can be found on Pages 36 to 38 of the Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

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

### **Practice 9.3 - Step Up**

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

<b>Application</b>	:	Applied
<b>Explanation on adoption of the practice</b>	:	On 14 December 2017, the Board approved the merger of the Audit Committee and Risk Management Committee now known as the Audit and Risk Management Committee ("ARMC") with effective from 1 January 2018. The composition of the ARMC comprises exclusively of Independent Non-Executive Directors.

## Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ The Group's internal audit function which is headed by a Senior Manager focus on risks and controls within the Group and therefore have a key role in the Group's control environment. They are tasked to conduct regular reviews and appraisals on the effectiveness of the governance, risk management and internal controls processes within the Group in accordance with the Internal Audit Plan as approved by the Audit and Risk Management Committee.</li> <li>▪ Further elaboration of the internal audit function of the Group can be found in the Audit and Risk Management Committee Report set out on Pages 39 to 43 of the Annual Report.</li> <li>▪ To enhance their independence, the internal audit function reports directly to the Chairman of the Audit and Risk Management Committee.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 10.2**

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The matters indicated above have been disclosed on Pages 39 to 43 in the Audit and Risk Management Committee Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b><i>Investors' Relationship, Media and Shareholders Communication</i></b></p> <ul style="list-style-type: none"><li>▪ The Company recognises the importance of proper communication with shareholders and the wider investment community to ensure that trading in the Company's securities take place in an informed market. This is done through timely dissemination of information on the Group's performance and major developments which are communicated via the following medium: -<ul style="list-style-type: none"><li>(i) the Annual Report and relevant circulars despatched to shareholders and published in the Company's website; and</li><li>(ii) issuance of various disclosures and announcements including the interim financial reports to the stock exchange.</li></ul></li><li>▪ Within the organisation, the Group's Investor Relationship is headed by the Corporate and Investment Department, who attends to various investors particularly institutional investors, fund managers and investment analysts and a Corporate Communications Department to communicate with members of the media.</li><li>▪ While the Group endeavours to provide as much information as possible, it is guided by the regulatory framework governing the release of material and price sensitive information. The Group is also bound by the Corporate Disclosure Policies and Procedures which sets out the communication channels, authorised spokespersons and disclosure policies.</li><li>▪ The Board has identified Datuk Sulaiman Bin Salleh, the Senior Independent Non-Executive Director, to whom any queries, feedbacks and concerns with regards to the Group, may be conveyed. Letters stamped "Private &amp; Confidential" can be addressed to him personally at the Company's registered office.</li></ul>

	<p>For ease of communication via the internet, the Group has identified the following email addresses for shareholders and the public to send in their email messages to: <a href="mailto:general@aisberhad.com.my">general@aisberhad.com.my</a></p> <p><b><i>Regulators and the Minority Shareholder Watchdog Group (“MSWG”)</i></b></p> <ul style="list-style-type: none"> <li>▪ Other than the shareholders of the Company, representatives from the regulators and MSWG will also be invited as observers at the Company’s general meetings if prior requests have been made.</li> <li>▪ Queries raised by the MSWG and the Company’s reply thereto are read out to shareholders at the Annual General Meeting.</li> </ul> <p><b><i>Members of the Media</i></b></p> <ul style="list-style-type: none"> <li>▪ Immediately after the Annual General Meeting, the Board represented by the Chairman together with the Executive Director and the Chief Investment Officer, may address issues raised by the media and answer questions on the Group’s activities and plans in the course of providing the media with the latest update on the Group.</li> <li>▪ Under the Corporate Disclosure Policies and Procedures, several persons have been identified as Authorised Spokesperson namely: <ul style="list-style-type: none"> <li>-</li> <li>(a) on Group matters/business/investments – the Chairman, Executive Director;</li> <li>(b) on the business unit’s operational matters – the Executive Director.</li> </ul> </li> </ul>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

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

### Practice 11.2

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

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

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The 47th Annual General Meeting of the Company is scheduled on 27 June 2018 and the Notice for the Annual General Meeting has to be despatched to shareholders of the Company by 30 April 2018 which is at least 28 days prior to the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ All the Board members attended the previous 46th Annual General Meeting of the Company held on 15 June 2017.</li> <li>▪ The Chairman presides over the Annual General Meeting and where appropriate, directs queries to the Chair of the Audit, Nominating, Risk Management and other committees to respond to shareholders’ queries during the meeting.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>▪ All the general meetings of the Company are held in Kuala Lumpur or Selangor which are easily accessible to shareholders.</li> <li>▪ As at 30 March 2018, the number of registered shareholders of the Company totalled 3,345. The Company does not have large number of shareholders or have meetings in remote locations.</li> <li>▪ The Group leverages on the use of information technology for effective dissemination of information by maintaining a website at <a href="http://www.aisberhad.com.my">http://www.aisberhad.com.my</a> which shareholders or other stakeholders can access for information.</li> <li>▪ All information released to the stock exchange is posted on the Investor Relations section of the website.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

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

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

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