

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7148  
**COMPANY NAME** : CCM Duopharma Biotech 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of CCM Duopharma Biotech Berhad ("CCM Duopharma") is committed to observing the highest standards of corporate governance practices that is distinguished by the hallmarks of accountability, transparency and integrity. In fulfilling its role as stewards of the Company, the Board is dedicated to discharging its duties with due diligence, care and skill and in the best interest of the Company.</p> <p>The year 2017 was a significant year for the Company and the Chemical Company of Malaysia ("CCMB") Group as a whole (CCMB and its subsidiaries are collectively referred to as the "CCMB Group"). A major corporate restructuring exercise undertaken by the CCMB Group during the year saw CCM Duopharma demerged from CCMB and ceased to be its subsidiary. In light of these changes, it was imperative for the Board to play a more proactive role in the development and oversight of the strategic direction of CCM Duopharma. During the financial year 2017, the Board deliberated on the short, medium and long term strategy for CCM Duopharma together with its proposed business plan for the year 2018. The Board, together with Management, reviewed the CCM Duopharma Group's strategy and the Board had satisfied itself that all appropriate considerations have been taken into account. The 2018 Annual Business and annual budget was approved by the Board during its final Board meeting in 2017. The Board has also set the Key Performance Indicators ("KPIs") to monitor and measure the performance and progress in moving towards achieving the Company's strategic objectives. The Board was also kept informed of the significant operational highlights, issues and performance of the Company through quarterly reports prepared by Management. These reports allowed the Board to have a better understanding of CCM Duopharma's operations and performance and hence, enabled them to make decisions that drive CCM Duopharma towards its strategic objectives.</p> <p>In establishing the values and ethical standards of CCM Duopharma, all Directors adhere to the Directors' Code of Best Practice which governs</p>

	<p>the conduct of Directors. In addition, CCM Duopharma has adopted the CCMB Group’s Code of Conduct (“Code of Conduct”), which is premised on the CCM Duopharma Group’s vision, mission and six core values of Passion, Excellence, Teamwork, Integrity, Responsible and Respect. The Code of Conduct governs the conduct of employees as well as acts as a reference point for their day-to-day decision-making.</p> <p>The Board also values dialogue with stakeholders and appreciates the keen interest of shareholders on CCM Duopharma’s performance. In this regard, the Board has adopted the CCMB Group’s Shareholders and Investors Communication Policy to meet or otherwise communicate with the shareholders of CCM Duopharma. Being on the radar of analysts under the Mid and Small Cap Research Scheme of Bursa Malaysia Berhad also spurred CCM Duopharma to be more proactive on the investor relations front.</p>	
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of CCM Duopharma is helmed by Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir, a Non-Independent, Non-Executive Chairman. Tan Sri Datin Paduka Siti Sa'diah was appointed to the Board on 5 April 2016 and was designated as Chairman on 28 December 2017.</p> <p>The Chairman is responsible for providing leadership to the Board and ensuring the effective functioning of the Board. In fulfilling this role, the Chairman's responsibilities include, amongst others:</p> <ul style="list-style-type: none"> <li>• Setting the meeting agenda and ensuring Directors receive complete, accurate and timely meeting materials;</li> <li>• Leading Board meetings and discussions which include encouraging all Directors to actively participate and contribute in meetings discussions whilst allowing dissenting views to be freely expressed;</li> <li>• Facilitating information flow between Board and Management;</li> <li>• Ensuring continuous and effective communication with stakeholders and ensuring feedback and input received from stakeholders are taken into consideration by the Board; and</li> <li>• Providing leadership in establishing and maintaining high standards of corporate governance practices.</li> </ul> <p>The detailed roles and responsibilities of the Chairman are encapsulated in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of exercising objective oversight over Management in order to safeguard the interest of CCM Duopharma and its stakeholders. Flowing from this, the Board seeks to ensure that there is an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.</p> <p>Accordingly, the positions of Chairman and the Managing Director are held by different individuals. The position of the Chairman of the Board is held by Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir whilst the position of the Group Managing Director is assumed by Leonard Ariff Bin Abdul Shatar.</p> <p>The Chairman is responsible for providing leadership to the Board and providing oversight on Management whilst the Group Managing Director is responsible for managing and overseeing the day-to-day business and activities of CCM Duopharma and adherence to the strategic directions approved by the Board.</p> <p>The respective duties and responsibilities of the Chairman and the Group Managing Director are encapsulated in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is supported by a suitably qualified and competent Company Secretary, namely, Ibrahim Hussin Salleh, who fulfils the requirements enshrined in Section 235(2) of Companies Act 2016. Ibrahim possesses a legal qualification and has accumulated vast legal and corporate secretarial experience throughout his career. Prior to his appointment as Company Secretary of CCM Duopharma, Ibrahim was the Joint Company Secretary for CCMB.</p> <p>The Company Secretary plays a key advisory role in supporting the Board to uphold high standards of corporate governance. As a counsel to the Board, Ibrahim provides the Board with periodic updates regarding regulatory developments and assists the Board in interpreting and applying pertinent corporate governance promulgations. As Company Secretary, he also provides support in facilitating the flow of information to the Board. Additionally, he serves as a liaison for stakeholders' communication and engagement on corporate governance issues.</p> <p>In order to upskill himself and keep abreast with the latest developments in the corporate governance realm, CCM Duopharma Secretary has attended relevant training and professional development programmes during the financial year.</p> <p>Whilst the position of the Company Secretary is combined with that of the Chief Legal Officer, it should be noted that the element of impartiality in the corporate governance advisory role remains intact as relevant safeguards have been put in place. For example, the Company Secretary does not act as an advocate for the Company on litigation matters and court proceedings.</p> <p>The Company Secretary has a direct functional reporting line to the Chairman and has been accorded with appropriate standing and authority to enable him to discharge his duties in an impartial and effective manner. The appointment or removal of the Company Secretary is the prerogative of the Board.</p> <p>The role and responsibilities of the Company Secretary are outlined in the Board Charter.</p>

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

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman, together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The Board Charter contains a policy stipulation which necessitates meeting materials to be distributed to Directors within a minimum of seven days prior to the respective Board or Board Committees' meetings. Exceptions may be made for urgent or ad hoc matters whereby Directors unanimously consent to a shorter notice period for the provision of meeting materials.</p> <p>The meeting materials provided to Directors include a formal meeting agenda as well as Board papers prepared by Management and Company Secretary. The Board papers, include, amongst others:</p> <ul style="list-style-type: none"><li>• Minutes of Meetings/Reports of all Board Committees;</li><li>• Business plan and strategic direction;</li><li>• Current operating and business issues;</li><li>• Annual budget review, forecasts and projections;</li><li>• Quarterly and annual financial reports;</li><li>• Potential acquisitions and disposal of assets of substantial value;</li><li>• Major investment and financial decisions;</li><li>• Key policies, procedures and authority limits; and</li><li>• Reports, advices and opinions of external consultants/advisors as had been sought for.</li></ul> <p>The meeting materials are provided to Directors in both hard copies and also in electronic format via secure devices.</p> <p>The Company Secretary records the meeting minutes of the Board and Board Committees and endeavours to circulate them to Directors within 30 days upon the conclusion of the meetings. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.</p>



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

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place a Board Charter which is reviewed on a periodic basis and made available on CCM Duopharma’s website. The Board Charter serves as a primary reference point on governance matters for Directors as well as an induction literature for newly-appointed Directors.</p> <p>The Board Charter is an extensive document that covers amongst others the following matters:</p> <ul style="list-style-type: none"> <li>• Key principles, values and ethics of CCM Duopharma;</li> <li>• Matters reserved for the Board;</li> <li>• Responsibilities of the Board;</li> <li>• Composition of the Board;</li> <li>• Board structures and procedures; and</li> <li>• Policies and procedures on Board evaluation.</li> </ul> <p>Recently, the Board undertook to review the Terms of Reference of the Board Committees to reflect changes pursuant to corporate governance regulatory developments, evolving expectations of stakeholders as well as new modes of thinking in the corporate governance landscape. For the subsequent year, the Board shall seek to undertake a similar exercise for the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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>	:	<p>The Board consistently strives to set the ethical tone and instil ethical values and standards across every level of CCM Duopharma. In this regard, the Board has adopted the CCMB Group's Code of Conduct which subject employees to a set of values and standards of conduct that is expected of them. The Code of Conduct was formulated at the Group level and is based on the Group's six core values of Passion, Excellence, Teamwork, Integrity, Responsible and Respect as well as the Group's vision and mission.</p> <p>The Code of Conduct covers the following overarching areas:</p> <ul style="list-style-type: none"> <li>• Conducting business ethically, fairly and with honesty;</li> <li>• Complying with laws including abuse of power, corruption, insider trading and money laundering;</li> <li>• Providing quality and safe products;</li> <li>• Protecting the Company's assets and information;</li> <li>• Maintaining complete and accurate business records; and</li> <li>• Respecting others in the workplace and society.</li> </ul> <p>The Code of Conduct is made available on CCM Duopharma's website and is subjected to periodic reviews to ensure it is kept current and relevant.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

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

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Whistleblowing Policy and relevant procedures as a means to encourage employees and other stakeholders to report bona fide concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace.</p> <p>The Whistleblowing Policy makes it clear that concerns can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee or stakeholder that reports the concerns.</p> <p>The Whistleblowing Policy prescribes employees to report to the Head of the Group Internal Audit and Integrity Department, which is the formal reporting channel for whistleblowing. Alternatively, employees and other stakeholders can choose to utilise the online platform or hotline, to escalate any legitimate concerns they may have without fear of identification and repercussions.</p> <p>Reports from whistleblowers are treated with utmost confidentiality and are thoroughly investigated. The Audit and Integrity Committee provides oversight of any investigations undertaken and their outcomes.</p> <p>The Whistleblowing Policy is made available on CCM Duopharma's website and is subjected to periodic reviews by the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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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 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Independent Directors bring the element of detached impartiality to the oversight function of the Board. Their presence allows the Board to apply heightened professional scepticism and challenge Management in an unbiased manner and prevent dominance and complacency in the Boardroom.</p> <p>In recognition of the value that Independent Directors add to the Board and CCM Duopharma, the Board strives to ensure that CCM Duopharma attains the higher order practice of having a majority Independent Directors on its Board. At present, the Board comprises six Independent Directors, two (2) Non-Independent, Non-Executive Director and the Group Managing Director who is a Non-Independent Executive Director (i.e. six out of the nine (9) Board members are independent).</p> <p>In order to reinforce the element of independence, the Board has also appointed a Senior Independent Director, Dato' Mohamad Kamarudin Bin Hassan. As the Senior Independent Director, he serves as a sounding board to the Chairman and acts as an intermediary for Independent Directors when necessary. The presence of the Senior Independent Director provides an additional outlet for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may be not be appropriate to raise in an open forum.</p> <p>Independent Directors are also subjected to an objective and subjective "test of independence" conducted on an annual basis or as and when a disclosure is made by Directors of any new interest or relationship that may impede their ability to act independently and objectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	



<b>Timeframe</b>	:		
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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 4.2**

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board recognises that extended tenure may give rise to Independent Directors having a close relationship with the Board and Management and thus, becoming too sympathetic to their interests or too accepting of their work.</p> <p>The Board unequivocally expects Independent Directors to display impartiality both in their appearance (i.e. perceived independence) and in their thoughts and actions. As such, the Board has adopted a policy that limits the cumulative (intermittent or consecutive) tenure of Independent Directors to nine years.</p> <p>The policy is outlined in the Board Charter which is available on CCM Duopharma's website.</p>

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board alongside the Nomination and Remuneration Committee, undertake periodic reviews of the composition of the Board to ensure that it remains a diverse Board. The Board strongly believes that reinforcing the diversity aspect of its composition can enrich the Board’s discussions with a breadth of perspectives and thus, averting “blind spots” or “group think” during deliberations.</p> <p>The process for the appointment of Directors is grounded on the Board Nomination and Selection Procedure, as approved by the Board. The Board Nomination and Selection procedure outlines the skill sets, knowledge and experience, mindset and core values that is required in a potential candidate for directorships in CCM Duopharma.</p> <p>The Board is currently made up of members with a mix of skill sets, knowledge and experience (i.e. Pharmaceutical, Healthcare, Civil Sector, Banking, Finance and Investment) and balanced mix of gender (four (4) out of nine (9) Directors are women).</p> <p>The appointment of Senior Management is also based on a set of pre-determined criteria covering a diverse set of skill sets and experience. CCM Duopharma also has representation of female candidates at the Senior Management level.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has demonstrated a steadfast commitment to achieving a diverse Board on the facet of gender. Although CCM Duopharma is not presently a Large Company as defined by the Malaysian Code on Corporate Governance ("MCCG"), it has achieved the target of at least 30% women Directors on Board. There are currently four women Directors on Board out of nine (9) Directors in aggregate.  The Board has adopted a diversity policy to ensure that the Board comprise at least 30% women Directors. This policy is codified in the Board Charter and is in line with policy pronouncement by the government of having 30% women directors in corporate Malaysia by 2020.	
<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 4.6

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>	:	<p>The Nomination and Remuneration Committee is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the Nomination and Remuneration Committee leverages on several sources to “cast a wider net” and gain access to a wide pool of potential candidates.</p> <p>Directors’ network and referrals from Management and CCM Duopharma’s major shareholders form the primary means for sourcing of candidates. These methods have, in the past, produced tangibly noteworthy results in identifying candidates who are of high-calibre and at the same time have a sound understanding of CCM Duopharma’s business and the pharmaceutical industry.</p> <p>In addition to the above, the Nomination and Remuneration Committee additionally have the option of utilising independent search firms and consultants to identify a wider pool of potential candidates. Potential candidates are screened against the criteria outlined in the CCMB Group’s Board Nomination and Selection Procedure and interviewed by the Nomination and Remuneration Committee. The shortlisted candidates are then tabled to Board for recommendation.</p> <p>During the year under the review, the Nomination and Remuneration Committee also independently recommended the movement of Directors from CCMB to CCM Duopharma pursuant to the demerger exercise of CCM Duopharma from CCMB.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee is chaired by the Senior Independent Director, Dato' Mohamad Kamarudin Bin Hassan.</p> <p>The Board understands that an effective recruitment and evaluation process of Directors is the building block of a high-performing Board. The Board therefore believes that the Senior Independent Director is the most suitable and qualified person to lead the conduct of the process in an objective manner.</p> <p>Given that the Senior Independent Director acts as a confidant to other Directors, he is well-placed to oversee the assessment of the Board's Chairman, taking into account a broad range of perspectives. The Senior Independent Director also leads the necessary conversations around succession planning, particularly for the Chairman of the Board and the Managing Director.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place an annual Board Evaluation Assessment (“BEA”) to evaluate the effectiveness of the Board, Board Committees as well as individual Directors including Independent Directors.</p> <p>During the financial year ended 31 December 2017, the BEA was conducted in-house premised on the assessment criteria that are based on the “Green Book – Enhancing Board Effectiveness” issued by Putrajaya Committee on Government Link Companies (GLCs) High Performance as well as relevant regulatory promulgations, guidelines and best practices as issued by Bursa Malaysia Berhad and other relevant authorities. The process is carried out via questionnaires administered to Directors, using a self and peer-rating model.</p> <p>The BEA criteria are based on the following overarching components:</p> <ul style="list-style-type: none"><li>• Structuring a high-performing Board;</li><li>• Ensuring smooth functioning of Board operations and interactions; and</li><li>• Fulfilling fundamental Board roles and responsibilities at the highest standards of corporate governance.</li></ul> <p>The Nomination and Remuneration Committee undertook the responsibility of providing oversight on the conduct of the BEA as well as reviewing the outcome of the BEA along with the Chairman to formulate an actionable improvement programme that addresses areas for improvement identified from the BEA. Exemptions from the BEA exercise were granted for Board members who were newly appointed towards the tail-end of the financial year subsequent to the demerger of CCM Duopharma from CCMB.</p> <p>In March 2018, the Board resolved to adopt the BEA 2017 results as recommended by the Nomination and Remuneration Committee (“NRC”). The results generally reflected the Board’s consensus that each of the Directors’ level of performance was either satisfactory or good, and that they had also met the performance criteria in the prescribed areas of assessment. In respect to “Ensuring Effective Board Operations</p>



	<p>and Interactions” under the BEA 2017, the Board was satisfied with the level of commitment given by the Directors towards ensuring productive board meetings, quality and timeliness of all Board information and the building of trust via active and positive Board interaction dynamics and open communication.</p> <p>Based on the average ratings to the areas of assessment under the BEA 2017, the Board’s key strengths were in corporate performance management approach, contribution in the development of corporate strategy and setting of targets and management of company’s risk. The Board Committees were also very effective in assisting the Board to carry out its duties, through their respective members who had brought with them the required functional knowledge and expertise.</p> <p>The average rating of BEA 2017 for the Board of CCM Duopharma was relatively high. However, with the view to improving the performance of the Board and its Committees, the NRC reviewed the outcome from the questions in the BEA 2017 in relation to the Board effectiveness which had scored below 3.0 (out of maximum score of 4.0). . Although the Board was satisfied with the outcome of the BEA 2017, the Board noted there was still room for improvement. This included the suggestions on the need to focus on development of CCM Duopharma’s future leaders and human capital as well as to consider having additional committees comprising either Board members or subject matter experts in selected areas of focus such as the Company’s Halal initiative.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>CCM Duopharma has adopted a Board Remuneration Policy which covers the remuneration policy and procedures for Non-Executive Directors.</p> <p>The remuneration philosophy is premised on the need to have an adequate level of remuneration to attract and retain Directors and Senior Management personnel of high calibre and talent. The remuneration packages for Non-Executive Directors are structured such that their independence and objectivity are not impaired. The remuneration level for Non-Executive Directors reflect their responsibility and position on the Board and Board Committees, attendance and any special skills or expertise that they bring to the Board.</p> <p>For the subsequent financial year, the Nominating and Remuneration Committee shall seek to engage an independent expert to review and enhance its remuneration policy and procedures to cover the Group Managing Director and Senior Management whilst ensuring the enhanced remuneration policy and procedures reflect the current market dynamics and regulatory expectations.</p> <p>The Board Remuneration Policy is available on CCM Duopharma's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

### Intended Outcome

The 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>	:	<p>The Board currently has a combined Nomination and Remuneration Committee. As the matters relating to nomination and remuneration are often intertwined, the Board is of the view that it may be synergistic to have a combined Committee rather than stand-alone committees.</p> <p>The composition of the combined Nomination and Remuneration Committee fulfils that expected of an individual Nomination Committee (paragraph 15.08 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 4.7 of MCG) and an individual Remuneration Committee (Practice 6.2 of MCG) respectively. The Nomination and Remuneration Committee is also able to draw advice from experts if necessary.</p> <p>The combined Nominating and Remuneration Committee accords sufficient attention on matters relating to remuneration. In developing the agenda, the Nominating and Remuneration Committee Chairman, in consultation with the Company Secretary ensures that the balance of discussions is not tilted unfavourably against remuneration-related matters.</p> <p>This observation is corroborated from the assessment conducted during the year which revealed that having a combined Nomination and Remuneration Committee does not hinder it from according adequate time and attention on both remuneration and nomination matters. Members of the Nomination and Remuneration Committee also have the expertise to deal with both nomination and also remuneration matters.</p>

	<p>The Nomination and Remuneration Committee has a Terms of Reference which outlines its duties and responsibilities (including providing oversight on remuneration policies and procedures). The Terms of Reference is made available on the Company's website.</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>: As CCM Duopharma scales up in size and scope, CCM Duopharma will consider establishing a dedicated Remuneration Committee given that matters relating to remuneration may grow in complexity. The shifting nuances of businesses as a result of changing market dynamic may also significantly affect the way in which CCM Duopharma remunerates Directors and employees. As such, being able to respond to these signals necessitates greater and dedicated attention at the oversight level.</p>	
<p><b>Timeframe</b></p>	<p>: Others</p>	<p>5 years</p>

## Intended Outcome

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

## Practice 7.1

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

<b>Application</b> :	Applied																																																																																																																																													
<b>Explanation on application of the practice</b> :	<p>In tandem with CCM Duopharma's aspirations to observe the highest standards of corporate governance, CCM Duopharma has, as in previous years, disclosed individual Directors' remuneration on a named basis and by exact amount. The Board strives to ensure that information pertaining to Directors' remuneration is made transparent and accessible to shareholders and other stakeholders.</p> <p>The details for the remuneration of Directors for the financial year ended 31 December 2017 for CCM Duopharma and CCM Duopharma Group are as follows:-</p> <table border="1"> <thead> <tr> <th colspan="8">Group Managing Director</th> </tr> <tr> <th rowspan="2"></th> <th colspan="2">Directors' fees (RM)</th> <th rowspan="2">Salary (RM)</th> <th rowspan="2">Bonus (RM)</th> <th rowspan="2">Other emoluments (RM)</th> <th colspan="2">Total</th> </tr> <tr> <th>Co.</th> <th>Gr.</th> <th>Co.</th> <th>Gr.</th> </tr> </thead> <tbody> <tr> <td>Leonard Ariff bin Abdul Shatar*</td> <td>-</td> <td>5,954.55</td> <td>343,218.18</td> <td>134,000.00</td> <td>173,562.00</td> <td>-</td> <td>656,734.73</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="9">Non-Executive Directors</th> </tr> <tr> <th rowspan="2"></th> <th colspan="2">Directors' fees (RM)</th> <th colspan="2">Committee fees (RM)</th> <th colspan="2">Meeting Allowance (RM)</th> <th colspan="2">Total (RM)</th> </tr> <tr> <th>Co.</th> <th>Gr.</th> <th>Co.</th> <th>Gr.</th> <th>Co.</th> <th>Gr.</th> <th>Co.</th> <th>Gr.</th> </tr> </thead> <tbody> <tr> <td>Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir</td> <td>60,268.80</td> <td>60,268.80</td> <td>6,978.10</td> <td>6,978.10</td> <td>5,800.00</td> <td>5,800.00</td> <td>73,046.90</td> <td>73,046.90</td> </tr> <tr> <td>Dato' Mohamad Kamarudin bin Hassan</td> <td>60,000.00</td> <td>60,000.00</td> <td>10,021.90</td> <td>10,021.90</td> <td>8,500.00</td> <td>8,500.00</td> <td>78,521.90</td> <td>78,521.90</td> </tr> <tr> <td>Razalee bin Amin</td> <td>60,000.00</td> <td>60,000.00</td> <td>7,000.00</td> <td>7,000.00</td> <td>7,700.00</td> <td>7,700.00</td> <td>74,700.00</td> <td>74,700.00</td> </tr> <tr> <td>Puan Sri Datuk Seri Rohani Parkash binti Abdullah</td> <td>60,000.00</td> <td>60,000.00</td> <td>-</td> <td>-</td> <td>3,000.00</td> <td>3,000.00</td> <td>63,000.00</td> <td>63,000.00</td> </tr> <tr> <td>Zaiton binti Jamaluddin</td> <td>60,000.00</td> <td>60,000.00</td> <td>5,053.80</td> <td>5,053.80</td> <td>6,500.00</td> <td>6,500.00</td> <td>71,553.80</td> <td>71,553.80</td> </tr> <tr> <td>Dato' Eisah binti A. Rahman</td> <td>60,000.00</td> <td>60,000.00</td> <td>107.60</td> <td>107.60</td> <td>3,500.00</td> <td>3,500.00</td> <td>63,607.60</td> <td>63,607.60</td> </tr> <tr> <td>Datuk Nik Moustpha bin Hj Nik Hassan (appointed w.e.f. 28.12.2017)</td> <td>645.20</td> <td>645.20</td> <td>75.30</td> <td>75.30</td> <td>-</td> <td>-</td> <td>720.50</td> <td>720.50</td> </tr> <tr> <td>Datuk Mohd Radzif bin Mohd Yunus (appointed w.e.f. 08.03.2018)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>YB Dato' Hajah Normala binti Abdul Samad (resigned w.e.f. 28.12.2017)</td> <td>84,085.60</td> <td>84,085.60</td> <td>-</td> <td>-</td> <td>4,200.00</td> <td>4,200.00</td> <td>88,285.60</td> <td>88,285.60</td> </tr> </tbody> </table>							Group Managing Director									Directors' fees (RM)		Salary (RM)	Bonus (RM)	Other emoluments (RM)	Total		Co.	Gr.	Co.	Gr.	Leonard Ariff bin Abdul Shatar*	-	5,954.55	343,218.18	134,000.00	173,562.00	-	656,734.73	Non-Executive Directors										Directors' fees (RM)		Committee fees (RM)		Meeting Allowance (RM)		Total (RM)		Co.	Gr.	Co.	Gr.	Co.	Gr.	Co.	Gr.	Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	60,268.80	60,268.80	6,978.10	6,978.10	5,800.00	5,800.00	73,046.90	73,046.90	Dato' Mohamad Kamarudin bin Hassan	60,000.00	60,000.00	10,021.90	10,021.90	8,500.00	8,500.00	78,521.90	78,521.90	Razalee bin Amin	60,000.00	60,000.00	7,000.00	7,000.00	7,700.00	7,700.00	74,700.00	74,700.00	Puan Sri Datuk Seri Rohani Parkash binti Abdullah	60,000.00	60,000.00	-	-	3,000.00	3,000.00	63,000.00	63,000.00	Zaiton binti Jamaluddin	60,000.00	60,000.00	5,053.80	5,053.80	6,500.00	6,500.00	71,553.80	71,553.80	Dato' Eisah binti A. Rahman	60,000.00	60,000.00	107.60	107.60	3,500.00	3,500.00	63,607.60	63,607.60	Datuk Nik Moustpha bin Hj Nik Hassan (appointed w.e.f. 28.12.2017)	645.20	645.20	75.30	75.30	-	-	720.50	720.50	Datuk Mohd Radzif bin Mohd Yunus (appointed w.e.f. 08.03.2018)	-	-	-	-	-	-	0.00	0.00	YB Dato' Hajah Normala binti Abdul Samad (resigned w.e.f. 28.12.2017)	84,085.60	84,085.60	-	-	4,200.00	4,200.00	88,285.60	88,285.60
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	Dato' Azmi bin Mohd Ali (resigned w.e.f. 28.12.2017)	59,354.80	59,354.80	4,946.60	4,946.60	5,500.00	5,500.00	69,801.40	69,801.40														
	Dr. Byung-Geon Rhee (resigned w.e.f. 25.02.2017)	10,447.30	10,447.30	-	-	-	-	10,447.30	10,447.30														
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	<p><i>*The salary, bonus and other emoluments set out above for the Group Managing Director ("GMD") for financial year ended 31 December 2017 were paid by Chemical Company of Malaysia Berhad ("CCMB") pursuant to his service as GMD for CCMB. The amounts set out above reflect the sums apportioned in respect of his services to the CCM Duopharma Group only and charged out by CCMB to the CCM Duopharma Group. Encik Leonard Ariff was appointed as the GMD of CCM Duopharma w.e.f. 28 December 2017 upon the completion of demerger of CCM Duopharma from the CCMB Group.</i></p> <p>The disclosure is made on a group level and listed issuer level, in accordance with paragraph 11, Part A, Appendix 9C of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad.</p> <p>As enumerated in Section 233(1) of Companies Act 2016, the service contracts of Directors are also made available for inspection by major shareholders upon request and any details of remuneration in that contracts are, therefore, accessible.</p>																						
<b>Explanation for departure</b>																							
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																							
<b>Measure</b>																							
<b>Timeframe</b>																							

### Intended Outcome

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>	:	<p>The Board acknowledges that improving the transparency of Senior Management remuneration can allow a meaningful comparison between personnel in the same industry as well as across other industries. Enhanced transparency will additionally provide assurance to shareholders that the Senior Management team are appropriately compensated and their remuneration packages are structured in a way that drives the long-term performance and sustainability of CCM Duopharma.</p> <p>CCM Duopharma's demerger from the CCMB Group during the year under review has led to a recalibration of the Senior Management team, including movements of personnel from CCMB to CCM Duopharma. As such, the Board is of the view that the information pertaining to Senior Management remuneration for the year under review does not wholly reflect the level of compensation accorded to several of CCM Duopharma's Senior Management personnel, in particular the Group Managing Director and the Chief Legal Officer as a large proportion of their salaries were covered by CCMB. It is the Board's opinion that disclosure pertaining to Senior Management remuneration would not constitute a meaningful disclosure and therefore would not allow for a fair comparison across the industry and the wider marketplace</p> <p>The Board nevertheless strives to provide shareholders with assurance that Senior Management personnel are appropriately compensated and that their remuneration package is structured in a way that drives the long-term performance of CCM Duopharma. To this end, CCM Duopharma has engaged an independent expert firm to conduct a review of Senior Management remuneration. The findings from the aforementioned review confirms that CCM Duopharma's Senior Management personnel are paid competitively and well within the industry norms. The Board endeavours to undertake a review of Senior Management remuneration once every three years.</p>



	The Group Managing Director remuneration is disclosed under Directors remuneration, which is done on a named-basis and includes a breakdown of remuneration into salary, bonus, benefits-in-kind and other emoluments.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will continuously monitor and assess the disclosure regime pertaining to Senior Management remuneration and will make the transition to adopting the prescribed Practice after an advocacy period.
<b>Timeframe</b>	:	Within 3 years

**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>	:	<p>The Audit and Integrity Committee (formerly known as Audit and Risk Management Committee) is chaired by Razalee bin Amin, an Independent Director whilst the Chairman of the Board is Tan Sri Datin Paduka Siti Sa'diah Bint Sh Bakir. Having the positions of Board Chairman and Chairman of the Audit and Integrity Committee assumed by different individuals allows the Board to objectively review the Audit and Integrity Committee's findings and recommendations.</p> <p>Razalee is an accountant by profession with qualifications from the Malaysian Institute of Certified Public Accountants ("MICPA") and a postgraduate Diploma in Accounting from the University of Malaya, Malaysia. Razalee possesses significant professional experience as an accountant, having established his own Chartered Accountant firm. He is also a member of the Malaysian Institute of Accountants ("MIA").</p> <p>The possession of sound financial understanding and experience equips the Chairman of the Audit and Integrity Committee with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the Audit and Integrity Committee.</p> <p>The duties and responsibilities of the Chairman of the Audit and Integrity Committee are outlined in the Terms of Reference of the Audit and Integrity Committee, which is available on CCM Duopharma's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial 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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>As a measure to safeguard the independence and objectivity of the audit process, the Audit and Integrity Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner to the Audit and Integrity Committee.</p> <p>The policy, which is codified in the Audit and Integrity Committee Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a Director (including a member of the Audit and Integrity Committee) or as an employee of CCM Duopharma.</p> <p>To date, CCM Duopharma has not appointed any former key audit partners either as a Director or an employee of CCM Duopharma.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial 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>	:	<p>The Audit and Integrity Committee is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>During the financial year, the Audit and Integrity Committee has monitored and reviewed the performance and independence of the external auditor, namely, KPMG PLT and satisfied itself that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee and CCM Duopharma.</p> <p>The assessment of the Audit and Integrity Committee is supplemented by feedback gathered from senior finance personnel across CCM Duopharma, focusing on a range of factors that the Audit and Integrity Committee considers as relevant to audit quality. For the audit of the financial year ended 31 December 2017, KPMG PLT has also provided the Audit and Integrity Committee of CCM Duopharma with a written assurance confirming that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Audit and Integrity Committee has also taken into consideration the nature and extent of the non-audit services rendered and the appropriateness of the level of fees. Provisions of non-audit services by the external auditor, KPMG PLT were reviewed to ascertain whether such provision of services would impair the external auditor's objectivity. Disclosure on the nature and extent of non-audit services are made in the Notes to the Financial Statements (Annual Report).</p> <p>Pursuant to the assessment on the suitability and independence of the external auditor, the Audit and Integrity Committee made its recommendation to the Board on the re-appointment on the external auditor alongside the accompanying audit fees.</p>

	The process of reviewing independence of the external auditor is governed by the Policy on External Auditor's Independence, as approved by the Board.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit and Integrity Committee currently comprises solely of Independent Directors, namely, Razalee Bin Amin (Chairman of the Audit and Integrity Committee), Dato' Mohamad Kamarudin Bin Hassan and Zaiton Binti Jamaluddin.</p> <p>The Board is cognisant that independence is the cornerstone of a well-functioning audit committee. An audit committee that can critically and objectively apply a probing view on pertinent matters is key to safeguarding CCM Duopharma's audit and financial reporting process.</p> <p>The Board expects the Audit and Integrity Committee members to demonstrate professional scepticism, vigilance and moral courage when undertaking their responsibilities.</p>

## 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>	:	<p>The Audit and Integrity Committee comprises three members, namely, Razalee Bin Amin (Chairman of the Audit and Integrity Committee and Independent Director), Dato' Mohamad Kamarudin Bin Hassan (Senior Independent Director) and Zaiton Binti Jamaluddin (Independent Director).</p> <p>The composition of the Audit and Integrity Committee allows it to possess a range of skills and the requisite financial literacy to discharge its duties effectively. Razalee is an accountant by profession and a member of MIA and MICPA, thus fulfilling paragraph 15.09(1)(c) of the Main Market Listing Requirements by Bursa Malaysia Securities which calls for one member of the audit committee to be a member of a professional accountancy body.</p> <p>Dato' Mohamad Kamarudin meanwhile has a Master of Business Administration with a Major in Finance as well as extensive professional experience in International Trade and Economic sectors. Zaiton has a Master of Business Administration and has over 20 years of professional experience in the healthcare and pharmaceutical industry. Her background provides the Audit and Integrity Committee with valuable input on the pharmaceutical industry and the operational drivers which are impacting the financial performance of CCM Duopharma.</p> <p>As evident from the outcome of the BEA process, the Audit and Integrity Committee members are vigilant, exercise professional scepticism and constantly apply a probing view to challenge Management's assertions on CCM Duopharma's financials.</p> <p>All members attend the relevant trainings and continuous professional development programmes to keep themselves abreast of the latest developments in accounting and auditing standards, practices and rules.</p>



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

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is assisted by the Risk Management Committee in the review of the adequacy and effectiveness of the risk management and internal control framework.</p> <p>The Board, through the Risk Management Committee determines CCM Duopharma's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard CCM Duopharma's businesses.</p> <p>CCM Duopharma has adopted CCMB Group's enterprise risk management framework, which is grounded on the CCM Duopharma Group's Management and Manual Guidelines, which in turn is aligned to the best practices outlined in International Organisation for Standardisation (ISO) 31000, an internationally recognised framework for managing risks. In light of the recent corporate restructuring exercise undertaken during the year, the Board and Risk Management Committee have accorded more attention to operational risk and regulatory and compliance risk during the review process. The CCMB Group Risk Management Department facilitates the risk management process within the Company and reports its activities and makes appropriate recommendations to the Risk Management Committee.</p> <p>The internal control mechanism established by the Board is embedded within the organisation structure in all its processes. The internal control system is independently reviewed by CCMB Group's Integrity and Assurance Department to assess its adequacy and effectiveness.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Annual Report contains a Statement of Risk Management and Internal Control. The Statement provides a comprehensive overview of the key elements of CCM Duopharma's risk management and internal control systems including assignment of authority and responsibility, planning, monitoring and reporting procedures, policies, a summary of the Business Continuity Management and the Code of Conduct.</p> <p>The Statement also outlines the differentiated roles and functions held by the different clusters within CCM Duopharma and the wider CCM Duopharma Group in maintaining the risk management and internal control systems.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>In tandem with the growing complexities in the marketplace, the Board had instituted a stand-alone Risk Management Committee to devote more focus and attention on existing and emerging risks facing the Company. The risk function reports directly to the said Committee and has direct access to the Board through the Chairman of the Risk Management Committee.</p> <p>The Risk Management Committee amongst others undertake the following responsibilities:</p> <ul style="list-style-type: none"><li>• Reviews and ascertains that CCM Duopharma's risk management and internal control framework is robust and effective with respect to the specific needs and nuances of CCM Duopharma;</li><li>• Reviews the risk appetite for CCM Duopharma and make recommendations to the Board;</li><li>• Oversees the conduct of evaluation on CCM Duopharma's internal control systems, reviews its outcomes and makes recommendations to the Board; and</li><li>• Monitors changes anticipated against the backdrop of the economic and business environment.</li></ul> <p>The Risk Management Committee also co-ordinates and communicates regularly with the Audit and Integrity Committee to minimise any overlaps in the oversight functions of these two Committees.</p> <p>The duties and responsibilities of the Risk Management Committee are outlined in the Terms of Reference which is available on CCM Duopharma's website.</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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function for CCM Duopharma leverages on CCM Duopharma Group's in-house internal audit function ("Group Internal Audit"), which resides within the Group Internal Audit and Integrity Department which was set up post demerger with effect from 28 December 2018 with Rama Sockalingam a/l Nagappan being appointed as the Head of the Group Internal Audit and Integrity Department.</p> <p>As the "eyes and ears" of the Audit and Integrity Committee, the internal audit and integrity function reports directly to the Audit and Integrity Committee and has direct access to the Board through the Chairman of the Audit and Integrity Committee.</p> <p>The Audit and Integrity Committee reviews and subsequently approves the Annual Internal Audit Plan and ensures the Group Internal Audit and Integrity function is accorded with appropriate standing and authority to facilitate the discharge of its duties. In approving the annual budget for the internal audit and integrity function, the Audit and Integrity Committee ensures that the Group Internal Audit and Integrity function has adequate resources to perform its role with objectivity and without undue influence by Management or any other interested parties.</p> <p>Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Group Internal Audit and Integrity provides assurance and recommendations to the Audit and Integrity Committee on CCM Duopharma's governance, integrity and internal control systems.</p> <p>During the year, the Chairman of the Audit and Integrity Committee has held private meetings with the Head of Group Internal Auditor without the presence of Management to discuss on significant internal audit matters. These private meetings provide an avenue for the Group Internal Auditor to surface any pertinent issues or concerns that were gathered.</p>
<b>Explanation for departure</b>	:	

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

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

## Intended Outcome

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

### Practice 10.2

The board should disclose—

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The CCMB Group Internal Audit function is spearheaded by Wan Aishah Idris Binti Muhammad Idris who is also the Head of the Group Integrity and Assurance Department. Wan Aishah is a member of ACCA and a Certified Internal Auditor as well as a Certified Integrity Officer with extensive experience in the realm of governance, risk management and internal control.</p> <p>Wan Aishah, along with other internal audit personnel, are free from any family relationship with any Directors and/or major shareholder and do not have any conflict of interest with CCM Duopharma or the wider CCM Duopharma Group. The total number of personnel assigned for internal audit function of Duopharma is 4.</p> <p>In conducting the internal audit process, the Group Internal Audit is guided by the COSO Internal Control Framework which covers the following five elements of internal controls:</p> <ul style="list-style-type: none"><li>• Control environment;</li><li>• Risk assessment;</li><li>• Control activities;</li><li>• Information and communication; and</li><li>• Monitoring.</li></ul> <p>The total expenses incurred for the internal audit work of CCM Duopharma during the financial year end 31 December 2017 was approximately RM343,921.80 (2016: RM 338,000 ).</p> <p>Post demerger and with effect from 28 December 2017, the Group Internal Audit and Integrity Department was set up and Rama Sockalingam a/l Nagappan took over from Wan Aishah as the Head of the Group Internal Audit and Integrity function of CCM Duopharma (whilst Wan Aishah remains as Head of GIA function of CCMB).</p>

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



**Intended Outcome**

There is 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>As stewards of CCM Duopharma, Directors are accountable to shareholders as well as other stakeholders of CCM Duopharma for the performance and operations of CCM Duopharma. As such, the Board endeavours to ensure that communication with stakeholders is conducted in a regular and forthcoming manner.</p> <p>In fostering a closer association with its stakeholders, the Board, along with Management ensure that CCM Duopharma’s website contains the latest information on the Company including, but not limited to its business activities, investor relations activities, corporate social responsibility activities and any press releases made by the Company or the wider CCM Group.</p> <p>The Board has adopted a CCMB Group’s Communication Policy and Corporate Disclosure Policy that governs the communication methods between CCM Duopharma and its stakeholders. These policies allow for timely and quality dissemination of information to stakeholders.</p> <p>CCM Duopharma also maintains a social media presence to keep stakeholders updated on the latest activities and developments of CCM Duopharma.</p> <p>In addition, CCM Duopharma regularly participates in engagement sessions organised by CCM Duopharma Group’s Investor Relations Department. These engagement sessions include briefing sessions with shareholders and potential shareholders that are domiciled locally and in countries within the Asia Pacific region.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

## Intended Outcome

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>	:	<p>CCM Duopharma is not a Large Company as defined by MCCG and as such, is not subjected to Practice 11.2. However, for the purpose of benchmarking beyond the minimum prescribed, CCM Duopharma has decided to report on this Practice.</p> <p>The current Annual Report of CCM Duopharma provides stakeholders with a fairly comprehensive overview on CCM Duopharma's financial and non-financial information including strategic performance. Components such as Management Discussion and Analysis, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information. Information is also provided on the business model as well as the trends, outlook and prospects of CCM Duopharma.</p> <p>Whilst certain characteristics of integrated reporting may be embodied in the Annual Report of CCM Duopharma, it is on the whole not an integrated report based on the parameters set out by the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework.</p> <p>The Board would like to allow an advocacy period for the awareness of integrated reporting to be better appreciated by Management personnel before it is adopted.</p> <p>In order to provide stakeholders with a holistic picture of CCM Duopharma's business, the Annual Report of CCM Duopharma draws linkages between the various components contained therein, comprising financial and non-financial information.</p> <p>For the financial year 31 December 2017, CCM Duopharma has successfully produced its inaugural Sustainability Report pursuant to the guidelines outlined in Practice Note 9 of MMLR as well as the Sustainability Guide and Toolkits by Bursa Malaysia Berhad. It is worth noting that CCM Duopharma has in the past, consistently incorporated</p>

	<p>a sustainability statement in its annual report. This will gradually position CCM Duopharma towards the adoption of integrated reporting through the establishment of necessary systems and controls as well as the presence of quality non-financial data which are necessary to support the development of an integrated report.</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>: As CCM Duopharma grows in scale and scope, a readiness assessment will be undertaken to assess the structural changes that would be necessitated from the proposed transition to integrated reporting. At the initial stage, CCM Duopharma will seek to embed the process of integrated thinking into its activities to better streamline its connectivity of reporting from management, its business analysis and decision-making process.</p>	
<p><b>Timeframe</b></p>	<p>: Others</p>	<p>5 years</p>

### Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the Annual General Meeting (“AGM”) as an invaluable platform for shareholders to engage both the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall performance of CCM Duopharma. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders.</p> <p>In this regard, the notice for the AGM in 2018 was provided to shareholders at least 28 days before the meeting, which will be held on 31 May 2018. This goes above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad which call for a 21-days’ notice period for public companies or listed issuers respectively.</p> <p>The notice for CCM Duopharma’s AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.</p> <p>In addition to being dispatched to shareholders, the notice for the AGM was circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Malaysia Berhad.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors attended the previous AGM which was held on 22 May 2017. The Chairmen of respective Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees. The summary of key matters discussed during the previous AGM in 2017 was made available on CCM Duopharma's website in accordance with paragraph 9.21(2) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad.</p> <p>The responsibility for all Directors to attend general meetings is outlined in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>CCM Duopharma, at present, does not have a wide shareholding spread in terms of geographical dispersion. Hence, the Board is of the view that the current poll voting via electronic devices would already allow the voting process to be conducted in fairly seamless manner.</p> <p>Independent scrutineers, namely, Asia Securities Sdn Bhd have been appointed to validate the votes cast at the upcoming AGM. Shareholders who are unable to attend the AGM are allowed to vote via proxy.</p> <p>The Board has always given utmost consideration to the location of its general meetings to ensure it is easy to reach or easily accessible to shareholders. The upcoming CCM Duopharma's AGM will be held at Setia City Convention Centre which is located in Shah Alam and within reasonable proximity of CCM Duopharma's operation sites in Klang, Bangi and Glenmarie.</p> <p>In order to encourage participation at general meetings, CCM Duopharma had in the year 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in CCM Duopharma for multiple beneficial owners in one securities account.</p> <p>CCM Duopharma has also included a provision in its Constitution in respect of the qualification and the right of a proxy to speak at general meetings. Under the said provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the meeting.</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>	:	The Board recognises the need to adopt technological means to facilitate remote shareholder participation including voting in absentia

	in the event of a change in the geographical dispersion of its shareholders.	
<b>Timeframe</b>	:	Others 5 years



**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
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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