

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5202  
**COMPANY NAME** : MSM MALAYSIA HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2018

## 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>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p><b>Strategic plan of the Company (e.g. the current MSM BP21) is tabled to the Board for deliberation and consideration before it is approved. Key Performance Indicators' ("KPI") and details of yearly action plan on the strategies are also discussed at Board level together with the yearly budget approval. The Company also strives for continuous improvements of policies and procedures to ensure that its obligations to its shareholders and other stakeholders are met. Among others, some of the Board's responsibilities performed with regards to the Company's strategic aims include: -</b></p> <ol style="list-style-type: none"><li data-bbox="555 1211 1406 1317"><b>1) Promoting good corporate governance culture by ensuring critical policies and procedures are in place and being implemented within the Company.</b></li><li data-bbox="555 1357 1406 1496"><b>2) Management's proposals are being thoroughly reviewed and challenged before decisions are made for implementation. Board is also monitoring the implementation through regular updates and reviews from Management.</b></li><li data-bbox="555 1536 1406 1675"><b>3) Ensuring the strategic plan of the Company supports long-term value creation through regular engagement and communication with Management to discuss ideas on Company's plan moving forward.</b></li><li data-bbox="555 1715 1406 1854"><b>4) Supervising and assessing Management performance through quarterly financial performance review and also yearly assessment of individual performance vs KPI set earlier of the year.</b></li><li data-bbox="555 1895 1406 2020"><b>5) Ensuring good internal controls and risk management practice by ensuring a sound framework is in place and regular review is performed by internal auditors and reports are regularly submitted to and reviewed by the Board.</b></li></ol>

	<p>6) Understanding principal risks of the Company via regular briefing and update of the risk register of the Company in the Board Governance and Risk Management Committee (“BGRMC”) and Board meetings.</p> <p>7) Ensuring Senior Management has necessary skills and experience to perform their duties, and there are measures in place to provide succession planning of the Board and Senior Management.</p> <p>8) Ensuring the Company has in place procedures to enable effective communication with stakeholders.</p> <p>9) Ensuring the integrity of the Company’s financial and nonfinancial reporting through appointment of external auditors.</p> <p>The risk appetite for Board approval is targeted to be completed by end of 2019.</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

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>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<p>The Chairman of the Board, Datuk Wira Azhar Abdul Hamid, provides effective leadership role to the Board and steers the Board to be fully committed to maintain high standard of corporate governance whilst ensuring every decision made for the best interest of the company and its' stakeholders.</p> <p>The Chairman's roles and responsibilities are detailed out in the Board Charter which is made available on MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a>.</p> <p>The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:</p> <ul style="list-style-type: none"><li>• Guide and mediate the Board's actions with respect to organisational priorities and good governance;</li><li>• Ensure the Board conducts itself in accordance with the Board Charter;</li><li>• Ensure the Board meetings are conducted effectively with all relevant matters tabled in the agenda and that all Directors receive timely information and are properly briefed;</li><li>• Ensure the Board is updated on material matters relating to the Group by the Executive Director ("ED") and Group Chief Executive Officer ("GCEO");</li><li>• Be the major point of contact between the Board and the ED and GCEO;</li><li>• Undertake appropriate corporate communications activities together with the ED and GCEO;</li><li>• Ensure the ED and GCEO look beyond his executive functions and accept his full share of the responsibilities;</li><li>• Review progress regularly on important initiatives and significant issues facing the Group together with the ED and GCEO; and</li><li>• Initiate and oversee the ED's and GCEO's performance evaluation process.</li></ul> <p>The Board Charter incorporates the relevant regulations and best practices to ensure consistency with the Board's objectives and responsibilities.</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 1.3

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

<b>Application</b>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p>The position of Chairman of the Board and the Executive Director (“ED”) and Group Chief Executive Officer (“GCEO”) are held by different individuals with clear separation of roles between the positions to promote accountability and facilitate division of responsibilities between them. In this regard, no one individual can influence the Board’s discussions and decision-making.</p> <p>The Chairman of MSM, Datuk Wira Azhar Abdul Hamid, is responsible to carry out the leadership role in the conduct of the Board, ED, GCEO and Management. He also leads the Board in its collective oversight of Management.</p> <p>The role of the ED is to design, develop and implement strategic plans for the organization in a manner that is both cost and time-efficient. The ED also monitors for the day-to-day operation of the organization, which includes managing committees as well as developing business plans in collaboration with the Board. The ED is accountable to the Chairman of the Board and reports to the Board on a regular basis.</p> <p>Dato’ Khairil Anuar Aziz, who has been appointed as ED on 11 December 2017, is responsible to (i) provide the leadership to MSM and to spearhead MSM’s strategic direction, and (ii) be involved in the day-to-day management of MSM Group which is in accordance with MSM Board Charter. Dato’ Khairil Anuar Aziz’s role and responsibility as ED is governed by the provisions of MSM’s Constitution and the terms stipulated in the letter of appointment.</p> <p>The GCEO is responsible on MSM’s day-to-day operation subject to the specific delegations of responsibility/authority approved by the Board and report direct to Dato’ Khairil Anuar Aziz.</p> <p>On 22 January 2018, Encik Mohd Shaffie Said was appointed as Acting Chief Executive Officer (CEO) to replace Dato’ Mohamad Amri Sahari @ Khuzari who has vacated the office of GCEO of MSM effective the same date. Encik Mohd Shaffie Said, who directly report to the ED assumes the responsibilities of the GCEO and also to ensure the full physical completion of the Johor refinery until the commencement of full commercial operation.</p> <p>The roles and responsibilities of the Chairman of the Board, ED and GCEO can be found in the Board Charter which is made available at</p>

	MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a> .	
<b>Explanation for departure</b>	:	
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<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>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p><b>MSM Board was supported by a suitably qualified and competent Company Secretary who has prerequisite qualifications and experience. The Board through the Board Evaluation Assessment questionnaire evaluated the support and services provided by the Company Secretary for the financial year under review.</b></p> <p><b>The responsibilities of the Company Secretary are :</b></p> <ul style="list-style-type: none"><li>• <b>Co-ordinate of all Board business including meeting agendas, Board papers, minutes of meetings, communication with regulatory bodies and all statutory and other required submissions;</b></li><li>• <b>Provide unimpeded advice and services to the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance;</b></li><li>• <b>Ensure that Board procedures and applicable rules are observes;</b></li><li>• <b>Maintain records of the Board and Board Committees and its respective meetings and ensuring effective management of the Company's records;</b></li><li>• <b>Prepare comprehensive minutes to document Board proceedings and ensuring conclusions are accurately recorded;</b></li><li>• <b>Disseminate of information in a timely manner relevant to Directors' roles and functions and keeping them updated on new or evolving regulatory requirements;</b></li><li>• <b>Carry out other functions as deemed appropriate by the Board from time to time;</b></li><li>• <b>Assist the Board with interpreting legal and regulatory acts related to the listing rules and international regulations and developments; and</b></li><li>• <b>Advise the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis.</b></li></ul> <p><b>In keeping abreast of the latest developments of all relevant laws/requirements, the Company Secretary did attend courses/trainings during the financial year as below :</b></p>



No.	Trainings	Organiser	Date
1.	Training on Directors Responsibilities	In-house training by KPMG	21 Feb 2018
2.	Decoding Transaction and RPT Rule	In-house training by CKM Advisory Sdn. Bhd.	2 July 2018
3.	Training Confirmation: "CEO ONBOARDING PROGRAM" (Module 2: Corporate Governance)	KPMG, Group Governance & MACC	18 July 2018
4.	Sustainability Reporting Workshops for Company Secretaries 2018	Bursa Malaysia	19 July 2018
5.	Advocacy Programme On CG Assessment Using The Revised Asean CG Scorecard Methodology	Bursa Malaysia	23 July 2018
6.	ISO 45001 Awareness & ISO 14001 Refresher Programme for All FGVH Employees	In-house training by Health, Safety & Environment (HSE) Department (FGVHB)	23 July 2018
7.	Briefing Session On Legal Authority Limit ("LAL")	In-house training by FGVH Group Legal	10 Oct 2018
8.	Malaysia's War on Corruption Symposium 2018	Me Learn Global	30 Oct 2018
<p>Ms Koo Shuang Yen is currently the Company Secretary of MSM Group and has been appointed since 20 May 2011. The profile of the Company Secretary is provided on page 94 of the 2018 Annual Report.</p>			
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

## Intended Outcome

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>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<p>In order to facilitate Director's time planning, Company Secretary will table the annual meeting calendar in advance of each new year for Board meetings and Board Committee meetings. Special Board meetings are convened between the scheduled meetings to deliberate urgent proposals which require immediate decision by the Board.</p> <p>The Board meetings conducted in 2018 were scheduled ahead and approved by the Board in November 2017. The meeting schedule was structured to address the Board's collective responsibilities in relation to strategy, performance and governance.</p> <p>In order for the Board meetings to be more effective and to ensure in-depth deliberations of matters are achieved, the meeting agendas are sequenced taking into account the complexity of the matters to be tabled for approval, discussion or notation by the Board. The meeting agendas are set by the Chairman or Board Committee's Chairman respectively, in reference to the responsibilities and duties of the respective Board and Board Committees and in consultation with the Executive Director ("ED"), Acting Chief Executive Officer ("Acting CEO") and Company Secretary.</p> <p>Started from March 2018, MSM has introduced and implemented a paperless meeting, using Convene as part of its initiatives to reduce papers usage in line with MSM's cost optimisation exercise. Convene implement high security standard and able Director to access the meeting materials in a secured manner. The agendas and meeting papers were circulated via Convene to the Board and Board Committee members at least seven (7) days prior to all Board and Board Committee meetings. This is to allow sufficient time for appropriate review to facilitate productive discussions at the meetings. However, papers that are deemed urgent may still be submitted to Company Secretary to be tabled to the Board at the Board meeting, subject to the approval of the Chairman or Board Committee's Chairman respectively, and the ED/Acting CEO.</p>

	<p>All complex issues which require proper effective discussion were tabled to the Board to enable the Board to make decision objectively. While administrative or non-operational matters were circulated to the Board via Directors' Circular Resolutions ("DCR") which accompanied by relevant board papers. All signed DCR were tabled for confirmation at the next Board meeting.</p> <p>Upon conclusion of each of the Board and Board Committee meeting, minutes were prepared with all issues raised, discussion, deliberations, decision and conclusions including dissenting views made at Board and Board Committee meetings along with clear action to be taken by responsible parties were accurately recorded. The completed minutes of the Board and Board Committee meetings were then circulated to the Board members (including ED, Acting CEO and Chief Financial Officer) on a timely basis. This has allowed the Board to comment and seek clarifications of the minutes or request for any necessary corrections prior confirming the minutes as true and correct record in the next following respective meetings.</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.

Application	Applied
<b>Explanation on application of the practice</b>	<p><b>MSM's Board Charter serves as a constitution for the Board and among others outlines the following :</b></p> <ol style="list-style-type: none"><li><b>1) the roles and responsibilities of the Board</b></li><li><b>2) the balance and composition of the Board</b></li><li><b>3) the Board's authorities</b></li><li><b>4) the schedule of matters reserved for the Board</b></li><li><b>5) the establishment of the Board Committee</b></li><li><b>6) the process and procedures for convening Board meetings</b></li><li><b>7) the Board's assessment and review of its performance</b></li><li><b>8) the compliance and ethical standards</b></li><li><b>9) the accessibility by the Board to information and advice and declarations of conflict of interest.</b></li></ol> <p><b>Board decision always be supported by respective Board Committee which responsible to deliberate any issues related to its scopes and carry their decision to the Board for final decision. Each Board Committee are guided by Terms of Reference ("TOR") that describe the purpose, scope and authority of the committee. All TOR will be periodically reviewed to ensure consistency with the organisational needs and statutory requirements.</b></p> <p><b>The Board Charter and TOR's for each Committee incorporates the relevant regulations and best practices to ensure consistency with the Board's objectives and responsibilities.</b></p> <p><b>The Board Charter is published on MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a>.</b></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

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

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

### Practice 3.1

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

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

Application	Applied
<p><b>Explanation on application of the practice</b></p>	<p><b>MSM being the subsidiaries of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ("FGV") observes FGV's Code of Ethics and Conduct ("CoEC") and Code of Business Practice ("CoBP") which is applicable to all Board of Directors of Companies within FGV Group. The CoEC and CoBP outline the ethical standards of behaviour and conduct expected from all Directors of MSM Group.</b></p> <p><b>In managing the conflicts of interest, MSM Board members are required to make declarations at every Board of Directors Meeting in the event that they have any interests in the proposals being considered by the Board. This shall include interest arises through close family members, in line with various statutory requirements in regards to the disclosure of Director's interest. The interested Directors are required to abstain from deliberation and voting on the relevant resolutions in which they have conflict of interest at any Board meeting or shareholders meeting and where appropriate, excuse themselves from being physically present during the deliberations.</b></p> <p><b>MSM circulates the notice of closed period in relation to the dealings in MSM shares to its Board members and all its principal officers of MSM Group who are deemed to have privy to price sensitive information and knowledge, in advance whenever the closed period is applicable.</b></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>	

<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 3.2**

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

<b>Application</b>	<b>Applied</b>
<p><b>Explanation on application of the practice</b></p>	<p><b>MSM Group has put in place a Whistleblowing Policy (“Policy”) that provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process and protection to whistleblower and confidentiality afforded to the whistleblower.</b></p> <p><b>The Policy was established with the aim to maintain the highest standard of ethics and legal conduct within the Group with the main objectives of the following :</b></p> <ul style="list-style-type: none"> <li><b>(i) to provide avenues for employees to disclose any acts of wrongdoing.</b></li> <li><b>(ii) to assure the employees that they will be protected from reprisals, discrimination or victimisation for whistleblowing in good faith.</b></li> <li><b>(iii) to provide a formal mechanism for action on all reports made.</b></li> <li><b>(iv) to take necessary action of any improper conduct reported by other sources.</b></li> </ul> <p><b>The Whistleblowing Policy allows the reporting individual to report on alleged unethical behaviour within the Group such as, but not limited to the following :</b></p> <ul style="list-style-type: none"> <li><b>1. Malpractice, impropriety, fraud and embezzlements.</b></li> <li><b>2. Misappropriation of assets and funds.</b></li> <li><b>3. Criminal breach of trust.</b></li> <li><b>4. Illicit and corrupt practices.</b></li> <li><b>5. Questionable or improper accounting.</b></li> <li><b>6. Misuse of confidential information.</b></li> <li><b>7. Acts or omissions, which are deemed to be against the interest of the Group, laws, regulations or public policies.</b></li> <li><b>8. Breaches of any rules, regulations, policies and procedures of the Group.</b></li> <li><b>9. Attempts to deliberately conceal any of the above or other acts of wrongdoing.</b></li> <li><b>10. Abetting any of the above.</b></li> </ul>



	<p>The reporting individual is encouraged to report all concerns in a written letter to any of the identified individuals or through the e-Alert form on FGV Group’s corporate website and <a href="mailto:alert@fgvholdings.com">alert@fgvholdings.com</a> or personally meeting the Secretariat of Whistleblowing. The report can also be made via telephone call at 1 800 888 717 of Whistleblowing Hotline (Malaysia).</p> <p>The complaints made through FGV Group’s corporate website and <a href="mailto:alert@fgvholdings.com">alert@fgvholdings.com</a> are administered by FGV’s Group Governance Division. All reports or complaints received will be treated with strict confidentiality. Although the Company treats every report it receives seriously, action may also be considered against the whistleblower if the report is found to contain untrue, false, malicious, mischievous, vexatious or reckless allegations. However, no employee who discloses information in good faith under this procedure will suffer reprisals or victimisation nor will their career be affected in any way.</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

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>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p>During the FYE 2018, the following changes to the Board composition took place:</p> <ul style="list-style-type: none"><li>a) Dato' Zakaria Arshad who was on the Board of MSM as Non-Independent Non-Executive Director representing FGV Holdings Berhad ("FGV") (formerly known as Felda Global Ventures Holdings Berhad), one of MSM's major shareholders, resigned as Director on 18 September 2018.</li><li>b) In October 2018, Koperasi Permodalan Felda Malaysia Berhad ("KPF") nominated Dato' Ab Ghani Mohd Ali as Non-Independent Non-Executive Director of MSM representing KPF effective 26 October 2018, replacing Datuk Hanapi Suhada who has resigned on the same date. Dato' Ab Ghani Mohd Ali is also a member of Board Governance &amp; Risk Management Committee.</li><li>c) On 31 December 2018, the Board has accepted the resignation of YB Dato' Mohammad Fakhrudin Haji Mohd Ariff.</li></ul> <p>After taking the above changes, the Board comprised of seven (7) members, with majority four (4) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director as below :</p> <p><b>Independent Non-Executive Directors ("INED") :</b></p> <ul style="list-style-type: none"><li>1) Dato' Zainal Haji Ismail</li><li>2) Dato' Hajjah Rosni Haji Zahari</li><li>3) Dato' Rosini Abd Samad</li><li>4) Datuk Lim Thean Shiang</li></ul> <p><b>Non-Independent Non-Executive Directors ("NINED") :</b></p> <ul style="list-style-type: none"><li>1) Datuk Wira Azhar Abdul Hamid (Chairman)</li><li>2) Dato' Ab Ghani Mohd Ali</li></ul> <p><b>Non-Independent Executive Director ("NIED"):</b></p> <ul style="list-style-type: none"><li>1) Dato' Khairil Anuar Aziz</li></ul> <p>The most recent changes was on the appointment of Dato' Haris Fadzilah Hassan, FGV Group Chief Executive Officer, as NINED of MSM to replace Dato' Zakaria Arshad.</p>

	<p>Upon received FGV nomination on 30 January 2019, MSM on 7 February 2019 has duly tabled the nomination to the Nomination and Remuneration Committee (“NRC”) for evaluation and assessment. With the NRC’s recommendation, the Board on 11 February 2019 approved the appointment of Dato’ Haris Fadzilah Hassan as NINED of MSM and also a member of NRC and Investment Committee.</p> <p>This recent change subsequently has contributed to the current composition of equal number between independent and non-independent directors.</p> <p>The Board is actively looking for additional independent director in order to ensure that the Board’s composition complies with the requirement under the Malaysian Code on Corporate Governance 2017.</p> <p>The presence of four (4) independent directors on the Board who has diverse professional backgrounds, skills, extensive experience and knowledge in the areas of accounting, legal, human resource and corporate, provide the necessary checks and balances on the conduct of Executive Director and Acting Chief Executive Officer in managing the business of the Group.</p> <p>Their expertise allows them to provide independent judgement on the issues of strategy, business performance, resources and standards of conduct. They also provide independent views in the Board’s discussions to ensure that the strategies proposed by the Management are fully deliberated and examined in the long-term interest of the Group, as well as the shareholders and other stakeholders.</p> <p>None of the independent directors involve in the day-to-day management MSM and its Group of Companies.</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

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>	: <b>Not applicable - No independent director(s) serving beyond 9 years</b>
<b>Explanation on application of the practice</b>	<p>To-date, MSM has four (4) Independent Non-Executive Directors of whom none of them has served more than nine (9) years.</p> <p>MSM Board on 22 March 2018 has approved Board Nomination and Election Policy and Procedures ("Policy") to provide guideline on the nomination and elections matters to be in-lined with the requirements by Companies Act, 2016, Main Market Listing Requirement of Bursa Malaysia and better practices of Malaysian Code on Corporate Governance 2017 and the Corporate Governance Guide – 3<sup>rd</sup> Edition.</p> <p>The following paragraph in the Policy has stated that :</p> <ul style="list-style-type: none"><li>i) 6.2.3 – the tenure of an Independent Director ("ID") on MSM Board shall not exceed a cumulative term of nine (9) years.</li><li>ii) 6.2.4 – Upon completion of the nine (9) years, an ID may continue to serve on the Board subject to the Director's re-designation as Non-Independent Director.</li><li>iii) 6.2.5 - In the case where the Board intends to retain an ID who has served in that capacity for more than a cumulative term of nine (9) years, the Board shall provide strong justifications on Director's ability to carry out its role, supported by the outcome of MSM's Board Assessment including Independence Assessment and seek shareholders' approval at general meeting.</li></ul> <p>MSM also has in its Board Charter a provision on the tenure limits of its Independent Non-Executive Director as below :</p> <ul style="list-style-type: none"><li>i. Clause 6.4.5 (iv): The tenure of an Independent Non-Executive Directors shall not exceed a cumulative term of nine (9) years.</li></ul>

	<p>ii. <b>Clause 6.4.5 (v): Upon completion of nine (9) years, an Independent Non-Executive Director may continue to serve the Board subject to the director’s re-designation as a Non-Independent Non-Executive Director and assessment of the Nomination and Remuneration Committee.</b></p> <p>iii. <b>Clause 6.4.5 (vi): Alternatively, the Board must justify and seek shareholders’ approval in the event it retains an Independent Non-Executive Director who has served in that capacity for more than nine (9) years.</b></p> <p><b>To ensure independent judgment and view from ID, MSM has introduced new clause in its’ Constitution on the nine (9) year limitations under Clause 108 where term of any Independent Directors of the Board shall not exceed three (3) years. Upon completion of three (3) years, such ID shall cease to be a Director, but may still eligible for re-appointment.</b></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**

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

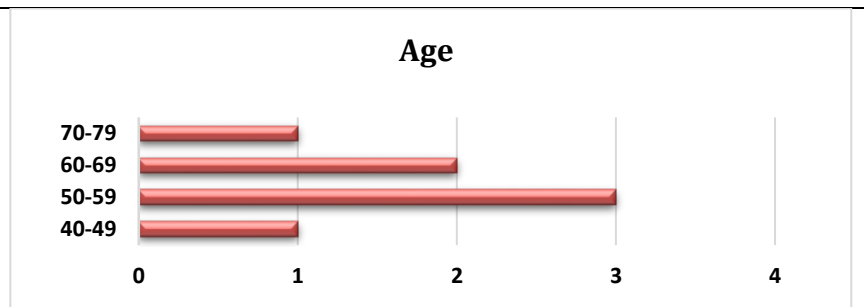
**Intended Outcome**

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.

<p><b>Application</b></p>	<p><b>: Applied</b></p>						
<p><b>Explanation on application of the practice</b></p>	<p><b>: <u>Board of Directors</u></b></p> <p>During the financial year 2018, the Board agreed on the appointment of Dato’ Ab Ghani Mohd Ali, representing Koperasi Permodalan Felda Malaysia Berhad (“KPF”) Nominee after considering recommendation from Nomination and Remuneration Committee (“NRC”).</p> <p>NRC in carrying out its responsibility in accordance with the requirement of its Terms of Reference and Board Nomination and Election Policy and Procedures assessed the nominee based on the following criteria:</p> <ul style="list-style-type: none"> <li>a) skills, knowledge, experience</li> <li>b) contribution and performance</li> <li>c) character, professionalism and integrity</li> <li>d) number of directorships and other external obligations which may affect the Director’s commitments including time commitment and valued contribution</li> <li>e) ability to discharge certain responsibilities/functions as expected from Independent Directors.</li> </ul> <p>Dato’ Ab Ghani Mohd Ali, prior to the appointment has disclosed his other business interest that may result in conflict of interest.</p> <p>Under the financial year review, the diversity in gender, age and skill and experiences of the Board are as follows:-</p> <div data-bbox="555 1518 1362 1809" style="border: 1px solid black; padding: 10px;"> <p style="text-align: center;"><b>Gender</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Gender Distribution Data</caption> <thead> <tr> <th>Gender</th> <th>Number of Directors</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>5</td> </tr> <tr> <td>Female</td> <td>2</td> </tr> </tbody> </table> </div>	Gender	Number of Directors	Male	5	Female	2
Gender	Number of Directors						
Male	5						
Female	2						



In ensuring a more balance composition, the Board seriously consider to increase the number of Independent Women Director by at least one (1) preferably with finance/corporate finance and corporate governance background with international credentials.

The Board ensures a balanced Board where individual merits and relevance are the key entry requirements. Collectively, the Board has an appropriate mix of diversity and skills to ensure constructive debate and thoughtful decision making. The Board comprises of high calibre members from diverse professional backgrounds, skills, extensive experience and knowledge in the areas of accounting, legal, human resource and corporate – requisites for the successful direction of the Group.

#### Top and Senior Management

The Appointment of the Top and Senior Management (by definition the job grading of General Manager and above) in MSM is governed by the following criteria:

- Approval matrix:

Review by NRC and Board	“Top Management” refers to the Executive Director (ED), Group Chief Executive Officer/Acting Chief Executive Officer and Chief Financial Officer
	“Senior Management” refers to all C-suite positions in MSM Holdings and subsidiaries level



	<p>- <b>Competency Requirements Matrix:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Knowledge</b> – Basic degree, or professional qualification or preferably post graduate qualification relevant to field of work.</li> <li>▪ <b>In areas of ‘competent person’, must possess professional certification as authorised by the appropriate regulatory body.</b></li> <li>▪ <b>Relevant work experience</b> – vast years of work experience in relevant field at post managerial.</li> <li>▪ <b>Attributes</b> – The company conducts a combination of assessment tools to assess suitability of candidate against required job attributes which include: <ul style="list-style-type: none"> <li>• The company may require shortlisted candidate to undertake a profiling questionnaire or other profiling instrument from a registered source as part of selection criteria to help determine “indicative managerial styles”, however this is not mandatory;</li> <li>• Conduct of interview through methodologies such as Behavioral Event/Critical Event, written test and/or management presentation.</li> </ul> </li> </ul> <p><b>As a matter of principle, the company practice Equality Hiring – no preference for gender, race or cultural background. The opportunities within the Company are presented via two methods of sourcing:</b></p> <ul style="list-style-type: none"> <li>a) <b>Hire from within</b> – the company provides ample opportunities in the form of on-job-training, work secondment/transfers for the employee to grow themselves and this also include assistance in the form of education assistance program especially for “competent skills” persons;</li> <li>b) <b>When internal talent are not available, the hiring is then open to external sources through guided job description and hiring process</b></li> </ul> <p><b>Final candidates are selected strictly based on person-to-job fit requirements and selection is not limited to race, gender or cultural background. It is however to be noted that the certain gender preference will be required due to factors such as work location in technical areas, shift roster and type of jobs at a specific location (technical and labour intensive jobs) .</b></p> <p><b>As for the Senior Management, the NRC has recommended to the Board for approval that Encik Mohd Shaffie Said be appointed as Acting Chief Executive Officer (CEO) effective 22 January 2018 to replace Dato’ Mohamad Amri Sahari @ Khuzari due to his vacation of</b></p>
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	<p>office as the President/Group CEO of MSM effective the same date. Encik Mohd Shaffie Said, who directly report to the Executive Director shall assume the responsibilities of the President/Group CEO and also to ensure the full physical completion of the Johor refinery until the commencement of full commercial operation.</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

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>	:	<b>Departure</b>
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<b>The current Board comprises of eight (8) members out of which two (2) are women directors, representing 25% women directors on Board.</b>
		<b>The Board is satisfied with the current board members composition. The Board also encourages women participation. The Board is mindful of having a diverse composition of skills, experience, age and gender when it comes to the appointment of Directors and remain committed to achieve at least 30% women participation on the Board.</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>The Nomination and Remuneration Committee is reviewing the Board structure, size and required skill set based on the Board Nomination and Election Policy and Procedures.</b>
<b>Timeframe</b>	:	<b>End of 2019</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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<b>Nomination and Remuneration Committee (“NRC”) as per Clause 7.1.1 (iii)(c) of its Terms of Reference shall consider candidates proposed by the Chairman of NRC and by any Director or shareholder. NRC shall consider and assess the candidate’s background based on the criteria prescribed in Paragraph 2.20A of the Bursa Malaysia’s Main Market Listing Requirements and other requirements in regards to the appointment of Directors.</b>  <b>Furthermore, the Board on 22 March 2018 has approved the Board Nomination and Election Policy and Procedures which formalize the policies on Board Composition, Independence, Conflict of Interest and Board Assessment. The Policy on Board Composition provides the size of the Board, the selection criteria, the Director’s skills sets and the Board diversity to be considered for new appointment of Directors of which the Board shall also consider potential candidate to be appointed as Director proposed not only by the existing Directors, Senior Management staff, major shareholder but also third party referrals/independent sources.</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 4.7**

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

<b>Application</b>	<b>Applied</b>
	<p><b>The current Nomination and Remuneration Committee (“NRC”/“the Committee”) is chaired by Dato’ Zainal Haji Ismail, an Independent Non-Executive Director who was appointed on 25 March 2011.</b></p> <p><b>The Chairman of NRC shall :</b></p> <ol style="list-style-type: none"><li><b>1) be responsible for the conduct of all NRC meetings. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from amongst the members present;</b></li><li><b>2) report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;</b></li><li><b>3) draw to the Board’s attention any relevant matters deemed to be of major importance;</b></li><li><b>4) be available to answer questions about the Committee’s activities at the Annual General Meeting of the Company. All other members of the Committee shall also attend the Annual General Meeting.</b></li><li><b>5) determine the frequency of the Committee meeting and discuss the schedule of meetings with the members of the Committee.</b></li><li><b>6) ensure that proper agenda is prepared for the Committee meeting</b></li><li><b>7) call a meeting of the Committee if so requested by any member of the Committee or by Chairman of the Board.</b></li><li><b>8) exercise the right to request meeting attendees to leave the meeting room if matters discussed are confidential or may be impaired due to the presence of individual concerns.</b></li></ol>

	The key/areas of responsibilities of the Chairman of the NRC together with other members of the NRC are set up in the Term of Reference which is made available at MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a> .	
<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**

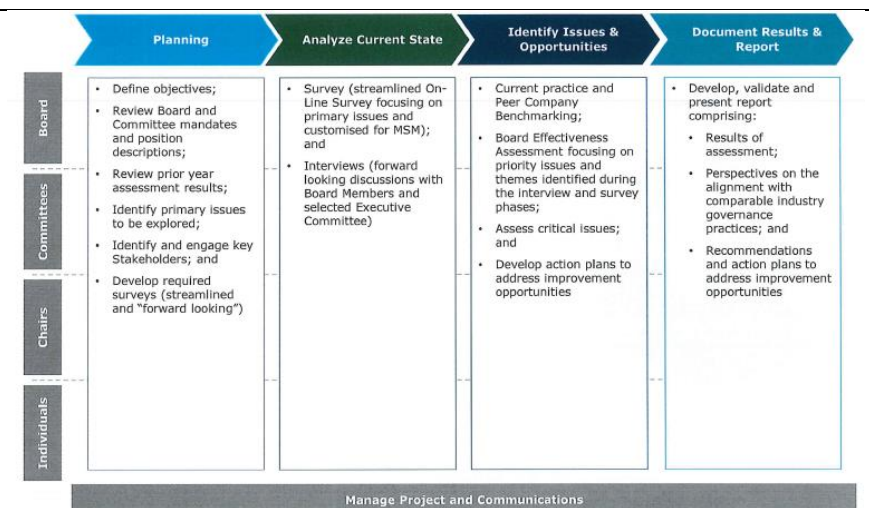
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### **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>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<p>For year assessment 2017, the Board appointed an independent consultant, Deloitte Risk Advisory Sdn Bhd (“Deloitte”) (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) (“Independent Facilitator”) to facilitate the Board evaluation process in line with Practice 5.1 of the MCG 2017.</p> <p>The framework used for the 2017 assessment is slightly different from the framework used for the past 2 years of which the 2017 assessment framework dimension covers 8 areas namely:</p> <ol style="list-style-type: none"><li>1) Performance and Evaluation</li><li>2) Leadership Succession and Remuneration</li><li>3) Operations</li><li>4) Sustainability</li><li>5) Internal &amp; External Reporting</li><li>6) Compliance</li><li>7) Stakeholder Engagement</li><li>8) Strategy and Innovation</li></ol> <p>The assessment was done on the Board as a whole, Board Committees, Chairman of the Board and Board Committee and the directors individually and was carried out based on the following Deloitte’s Board Effectiveness Evaluation process flow:</p>



The Independent Facilitator has undertaken fieldwork from 8 February 2018 to 20 April 2018 and also observation of the 2018 Annual General Meeting held on 26 June 2018 to carry out the following :

- (a) Interviewed all Board Members.
- (b) Performed gap analysis to ascertain the level of conformance to the prescribed standards and requirements.
- (c) Determined areas which require further improvement as compared to best practices.
- (d) Benchmarking of Board remuneration against direct Competitor and Top 10 Government Linked Companies.

Based on the interviews carried out as well as the feedback gathered from the completed questionnaires, the results of the assessment which also includes the key strengths and improvement areas together with the recommendations to address the improvement opportunities were compiled and collectively summarised and presented to Chairman before tabling to the Nomination and Remuneration Committee ("NRC") and Board in August 2018.

Other areas assessed include the Board composition and size, the contribution of each and every member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangement. The results of these questionnaires and interview, were documented which also includes the several areas which can be further improved in accordance with the relevant best practices, and collectively reported to the NRC.

Pursuant to Paragraph 15.20 of Main Market Listing Requirement of Bursa Malaysia, the NRC also reviewed the performance of Audit Committee and noted that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with its Terms of Reference.



	<p>For year assessment 2018, the Board evaluation approach/process will be further enhanced beyond compliance with the following additional elements :</p> <ul style="list-style-type: none"> <li>i) to include perspectives from the selected key Management who regularly interact with the Board;</li> <li>ii) introducing the scorecard for the Individual Director;</li> <li>iii) Directors to review and deliberate on the results of the assessment together, address issues that emerge and decide on the improvement plan.</li> <li>iv) Directors to review and deliberate on the results of the assessment together, address issues that emerge and decide on the improvement plan.</li> <li>v) Using the outcome of the deliberation by the Board, to develop a Board improvement programme and monitor the progress regularly.</li> </ul> <p>The year assessment 2018, the Board evaluation is currently in progress and will be disclosed in 2019 Annual Report.</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>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p><b>MSM has in place a Directors Remuneration Policy ("the Policy") which was last reviewed and revised in August 2016. A summarize remuneration structure for Board of Directors and Senior Management are made available on the Company's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a>.</b></p> <p><b>The Policy covers remuneration package for MSM's Non-Executive Directors ("NED") and Board Committees. The remuneration packages include fees for NEDs, meeting allowances, benefits-in-kind and other benefits. The level of Directors' remuneration is set to be competitive to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate the Board's responsibilities, expertise and complexity of the Company's activities for the effective management and operations of the Group. NED's remuneration package reflects the experience, expertise and level of responsibilities undertaken by the NEDs.</b></p> <p><b>Executive Director's remuneration package is fixed for the duration of his contract and formulated by taking into consideration the assessment of the performance against targets as well as benchmarking to market rate for benefit-in-kind, annual increment and bonus. The remuneration package and bonus payable, if any, shall be reviewed and recommended by the Nomination and Remuneration Committee ("NRC") and approved by the Board. The Executive Director is not entitled to Director's annual fees or any meeting allowance for the Board and Board Committee meetings.</b></p> <p><b>The company's human resource policies on employees' remuneration are fair and equitable and encourage behaviour that supports MSM's long-term financial soundness, growth and success within an appropriate risk management framework.</b></p>

	<p>The Human Resource Division through the NRC reviews and recommend to the Board, on an annual basis, the individual remuneration levels and remuneration arrangements for the Group's Top and Senior Management having regard to the human resource policies on employees' remuneration, including:</p> <ul style="list-style-type: none"> <li>i. fixed remuneration on levels and benefits;</li> <li>ii. Short-term incentives and long-term incentives remuneration targets and outcomes (including performance targets);</li> <li>iii. any termination/separation payments to be made;</li> <li>iv. retention and sign-on rewards;</li> <li>v. all incentive awards to be made to each individual; and</li> <li>vi. any other forms of remuneration including allowances and any other applicable benefits-in-kind.</li> </ul> <p>The Head of Human Resources shall assist the NRC to formulate the remuneration levels of the Group's Senior Management and conduct appropriate benchmarking to market parity data for competitive positioning, prior to determining the benefits, annual salary increment, bonuses, promotions, salary adjustments and promotion adjustments.</p> <p>The human resource policies on employees' remuneration, where appropriate, specifies an appropriate mix of remuneration, - supporting the short-term and long-term performance objectives in relation to MSM's strategies.</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**

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>	<b>:</b>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<b>:</b>	<p><b>MSM has a Nomination and Remuneration Committee ("NRC") for the purpose to assist the Board in fulfilling its roles and responsibilities in regards to the :</b></p> <ul style="list-style-type: none"><li><b>(i) composition of the Board, the Board Committee, the directorship in the Group and the Group Top Management</b></li><li><b>(ii) nomination and election process and appointment and re-appointment and re-election process</b></li><li><b>(iii) Board assessments and succession planning</b></li><li><b>(iv) remuneration matters including Remuneration Policy</b></li><li><b>(v) remuneration of the Group Chief Executive Officer and the Executive Director and the Group Top Management and general remuneration across MSM Group</b></li></ul> <p><b>NRC is governed by its own Terms of Reference ("TOR") which is established pursuant to the Bursa Malaysia's Main Market Listing Requirement ("MMLR") and was approved by the Board. The TOR is reviewed periodically between one (1) to three (3) years, as and when required especially when there are changes to the relevant laws and regulations. All amendments to the TOR were tabled to and approved by the Board.</b></p>

	<p>The current NRC comprises exclusively Non-Executive Directors with majority of Independent Directors. This is in line with Paragraph 15.08(A)(1) of the MMLR.</p> <p>Members of NRC are :</p> <table border="1" data-bbox="560 409 1406 837"> <thead> <tr> <th data-bbox="560 409 632 483">No.</th> <th data-bbox="632 409 967 483">Members</th> <th data-bbox="967 409 1198 483">Type of Membership</th> <th data-bbox="1198 409 1406 483">Appointment Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 483 632 595">1.</td> <td data-bbox="632 483 967 595">Dato' Zainal Haji Ismail</td> <td data-bbox="967 483 1198 595">Chairman Independent Non-Executive</td> <td data-bbox="1198 483 1406 595">25 March 2011</td> </tr> <tr> <td data-bbox="560 595 632 730">2.</td> <td data-bbox="632 595 967 730">Dato' Hajjah Rosni Haji Zahari</td> <td data-bbox="967 595 1198 730">Member Independent Non-Executive</td> <td data-bbox="1198 595 1406 730">25 March 2011</td> </tr> <tr> <td data-bbox="560 730 632 837">3.</td> <td data-bbox="632 730 967 837">Dato' Haris Fadzilah Hassan</td> <td data-bbox="967 730 1198 837">Member Non-Independent Non-Executive</td> <td data-bbox="1198 730 1406 837">11 February 2019</td> </tr> </tbody> </table> <p>The full details of the NRC's TOR is published in MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a>.</p>	No.	Members	Type of Membership	Appointment Date	1.	Dato' Zainal Haji Ismail	Chairman Independent Non-Executive	25 March 2011	2.	Dato' Hajjah Rosni Haji Zahari	Member Independent Non-Executive	25 March 2011	3.	Dato' Haris Fadzilah Hassan	Member Non-Independent Non-Executive	11 February 2019
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<p><b>Measure</b> :</p>																	
<p><b>Timeframe</b> :</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>	:	<b>Applied</b>																																																								
<b>Explanation on application of the practice</b>	:	<p>In compliance with the Main Market Listing Requirement of Bursa Malaysia ("MMLR"), MSM practices detailed disclosure on named basis for the remuneration received by individual Directors from MSM and its Group of Companies. The Directors' remuneration for the financial year under review is disclosed in the Corporate Governance Overview Statement of the Annual Report categorised into components (salary/bonus of Executive Director, Directors' annual fees, meeting allowances, benefits-in-kind and other benefits) distinguishing between Executive and Non-Executive Directors.</p> <p>Directors' Remuneration (exclude GST/SST/Tax) for the financial year ended 31 December 2018 is as follows :</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name of Directors</th> <th>Director's Fees FYE 2018 (RM'000)</th> <th>Meeting Allowance &amp; Benefits (RM'000)</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Non-Executive Director</b></td> </tr> <tr> <td>1.</td> <td>Datuk Wira Azhar Abdul Hamid</td> <td>315</td> <td>16</td> </tr> <tr> <td>2.</td> <td>Dato' Zainal Haji Ismail</td> <td>138</td> <td>83.3</td> </tr> <tr> <td>3.</td> <td>Dato' Hajjah Rosni Haji Zahari</td> <td>138</td> <td>83</td> </tr> <tr> <td>4.</td> <td>Datuk Lim Thean Shiang</td> <td>142</td> <td>68.5</td> </tr> <tr> <td>5.</td> <td>Dato' Rosini Abd Samad</td> <td>152</td> <td>73</td> </tr> <tr> <td>6.</td> <td>Dato' Mohammad Fakhruddin Haji Mohd Ariff</td> <td>140</td> <td>70</td> </tr> <tr> <td>7.</td> <td>Dato' Ab Ghani Mohd Ali <i>(appointed on 26 October 2018)</i></td> <td>23.5</td> <td>4</td> </tr> <tr> <td>8.</td> <td>Dato' Haris Fadzilah Hassan <i>(appointed on 11 February 2019)</i></td> <td>-</td> <td>-</td> </tr> <tr> <td>9.</td> <td>Datuk Hanapi Suhada <i>(resigned on 26 October 2018)</i></td> <td>105.7</td> <td>24.2</td> </tr> <tr> <td>10.</td> <td>Dato' Zakaria Arshad <i>(resigned on 18 September 2018)</i></td> <td>97.2*</td> <td>41.7</td> </tr> <tr> <td colspan="4"><b>Executive Director</b></td> </tr> <tr> <td>1.</td> <td>Dato' Khairil Anuar Aziz</td> <td>-</td> <td>15</td> </tr> </tbody> </table> <p><i>*Directors' Annual Fees will be paid to FGV Holdings Berhad</i></p>	No.	Name of Directors	Director's Fees FYE 2018 (RM'000)	Meeting Allowance & Benefits (RM'000)	<b>Non-Executive Director</b>				1.	Datuk Wira Azhar Abdul Hamid	315	16	2.	Dato' Zainal Haji Ismail	138	83.3	3.	Dato' Hajjah Rosni Haji Zahari	138	83	4.	Datuk Lim Thean Shiang	142	68.5	5.	Dato' Rosini Abd Samad	152	73	6.	Dato' Mohammad Fakhruddin Haji Mohd Ariff	140	70	7.	Dato' Ab Ghani Mohd Ali <i>(appointed on 26 October 2018)</i>	23.5	4	8.	Dato' Haris Fadzilah Hassan <i>(appointed on 11 February 2019)</i>	-	-	9.	Datuk Hanapi Suhada <i>(resigned on 26 October 2018)</i>	105.7	24.2	10.	Dato' Zakaria Arshad <i>(resigned on 18 September 2018)</i>	97.2*	41.7	<b>Executive Director</b>				1.	Dato' Khairil Anuar Aziz	-	15
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1.	Dato' Khairil Anuar Aziz	-	15																																																							

	<p>The detailed disclosure of remuneration breakdown for all Directors is set out in Corporate Governance Overview Statement on page 109 of the 2018 Annual Report.</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

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>	:	<b>Applied</b>																		
<b>Explanation on application of the practice</b>	:	<p>The five (5) Senior Management personnel are Executive Director, Acting Chief Executive Director, Chief Financial Officer and C-levels positions at MSM Malaysia Holdings Berhad and subsidiaries level.</p> <p>Details of the top five (5) MSM Senior Management's remuneration in respective bands of RM50,000 for FYE 2018 are as follows :</p> <table border="1"> <thead> <tr> <th>No</th> <th>Name</th> <th>Range of Remuneration Band (RM'000)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Dato' Khairil Anuar Aziz</td> <td>500 – 550</td> </tr> <tr> <td>2</td> <td>Mohd Shaffie bin Said</td> <td>450 – 500</td> </tr> <tr> <td>3.</td> <td>Raja Faridah Raja Ahmad</td> <td>700 – 750</td> </tr> <tr> <td>4.</td> <td>Osman A. Karim</td> <td>350 – 400</td> </tr> <tr> <td>5.</td> <td>Zamri bin Che Mat Kasa</td> <td>200 – 250</td> </tr> </tbody> </table>	No	Name	Range of Remuneration Band (RM'000)	1	Dato' Khairil Anuar Aziz	500 – 550	2	Mohd Shaffie bin Said	450 – 500	3.	Raja Faridah Raja Ahmad	700 – 750	4.	Osman A. Karim	350 – 400	5.	Zamri bin Che Mat Kasa	200 – 250
No	Name	Range of Remuneration Band (RM'000)																		
1	Dato' Khairil Anuar Aziz	500 – 550																		
2	Mohd Shaffie bin Said	450 – 500																		
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4.	Osman A. Karim	350 – 400																		
5.	Zamri bin Che Mat Kasa	200 – 250																		
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<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																				
<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 7.3 - Step Up**

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

<b>Application</b>	:	<b>Not Adopted</b>
<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>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p><b>Dato' Rosini Abd Samad is an Independent Non-Executive Director and has appointed as an Audit Committee Chairman since 7 January 2015. She is not the Chairman of the Board.</b></p> <p><b>Dato' Rosini Abd Samad is a member of the Malaysian Institute of Accountants, an Honorary Fellow CPA Australia and a professional member of the Institute of Internal Auditors Malaysia.</b></p> <p><b>Dato' Rosini Abd Samad has fulfilled the requisite qualifications as stipulated in Paragraph 15.09(1)(c)(i) of the Bursa Malaysia's Main Market Listing Requirement.</b></p> <p><b>The Chairman of the Audit Committee ("AC"/"the Committee") shall:</b></p> <ol style="list-style-type: none"><li><b>1. be responsible for the conduct of all Committee's meetings. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from amongst the members present.</b></li><li><b>2. report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.</b></li><li><b>3. draw to the Board's attention any relevant matters deemed to be of major importance.</b></li><li><b>4. be available to answer questions about the Committee's activities at the annual general meeting of the Company. All other members of the Committee shall also attend the annual general meeting.</b></li><li><b>5. determine the frequency of the Committee meeting and discuss the schedule of meetings with the members of the Committee.</b></li><li><b>6. ensure that proper agenda is prepared for the Committee meeting.</b></li><li><b>7. call a meeting of the Committee if so requested by any member of the Committee or by Chairman of the Board.</b></li></ol>

	<p><b>8. exercise the right to request meeting attendees to leave the meeting room if matters discussed are confidential or may be impaired due to the presence of individual concerns.</b></p> <p>The key/areas of responsibilities of the Chairman and other members of AC are set up in the Term of Reference which is made available at MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http:// www.msmsugar.com/our-company/corporate-governance</a>.</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**

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>	:	<b>Departure</b>
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<b>Currently, there is no former key audit partner in the Audit Committee. However, MSM will adopt this policy in the next review in 2019.</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>MSM Board will formulate 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>
<b>Timeframe</b>	:	<b>3rd Quarter 2019</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>	<b>: Applied</b>
<b>Explanation on application of the practice</b>	<p><b>MSM has in place an External Auditors Policy ("the Policy") which was established in February 2016. The Policy covers matters in relation to appointment and re-appointment of external auditors, assessment of external auditors' performance and independence, audit partner rotation, audit delivery and reporting, engagement of external auditors for non-audit services and removal or external auditors.</b></p> <p><b>The external auditor's performance and independence shall be assessed for re-appointment upon completion of every annual audit. The assessment shall be undertaken by every subsidiary and submitted to Group Finance before finalization of the MSMH Group's financial statements.</b></p> <p><b>Any threats to independence shall be disclosed to the Audit Committee ("AC") together with assessment of the mitigated actions to eliminate the threats or reduce them to an acceptable level. The procedures for assessing performance and independence of external auditor are as below :</b></p> <ol style="list-style-type: none"><li><b>1. the performance and independence of the external auditor which includes the audit engagement partner and the audit team using the prescribed assessment checklist.</b></li><li><b>2. Head of Finance shall complete the prescribed assessment checklist upon completion of the annual audit.</b></li><li><b>3. Group Finance shall review and consolidate the assessment by the companies and incorporate its assessment through the prescribed assessment checklist to conclude on the overall performance and independence assessment of the external auditor.</b></li><li><b>4. Group Finance shall prepare a paper to the AC summarizing the assessment of the management, its feedback and recommendation to the AC.</b></li></ol>

	<p>5. The AC shall consider the assessment, feedback and recommendation of the in making its own assessment basing on the prescribed assessment checklist.</p> <p>6. The assessment shall cover the following :</p> <ul style="list-style-type: none"> <li>• Calibre of external audit firm</li> <li>• Quality processes / performance</li> <li>• Audit team</li> <li>• Independence and objectivity</li> <li>• Audit scope, planning and methodology</li> <li>• Audit fees</li> <li>• Audit deliverables – quality, timeliness, added value</li> <li>• Audit communications – written and verbal with management and AC</li> </ul> <p>7. The AC’s conclusions on the assessment and its recommendation shall be forwarded to the Board for endorsement and subsequently included as an agenda item of the next AGM for shareholders’ approval.</p> <p>8. Where the AC concludes that the performance of the external auditor is less than satisfactory or the independence has been impaired, the AC shall consider the next course of action, which may include:</p> <ul style="list-style-type: none"> <li>• Discussion with the external audit firm to resolve performance issues;</li> <li>• Replacement of members within the external audit team; or</li> <li>• Not recommending re-appointment external auditor.</li> </ul> <p>9. Where the AC’s conclusions do not recommend re-appointment of the external auditor, a closed tender process of the remaining three (3) of the Top 4 accounting firms shall be undertaken to propose a new external auditor for MSMH Group as an agenda item of the next AGM for shareholders’ approval.</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

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>	:	<b>Adopted</b>																
<b>Explanation on adoption of the practice</b>	:	<p><b>MSM's current Audit Committee comprises of three (3) members who are all Independent Non-Executive Directors. The Chairman is a member of the Malaysian Institute of Accountants, an Honorary Fellow CPA Australia and a professional member of the Institute of Internal Auditors Malaysia.</b></p> <p><b>Members of Audit Committee are :</b></p> <table border="1"><thead><tr><th><b>No.</b></th><th><b>Members</b></th><th><b>Type of Membership</b></th><th><b>Appointment Date</b></th></tr></thead><tbody><tr><td><b>1.</b></td><td><b>Dato' Rosini Abd Samad</b></td><td><b>Chairman Independent Non-Executive</b></td><td><b>7 January 2015</b></td></tr><tr><td><b>2.</b></td><td><b>Datuk Lim Thean Shiang</b></td><td><b>Member Independent Non-Executive</b></td><td><b>23 August 2016</b></td></tr><tr><td><b>3.</b></td><td><b>Dato' Hajjah Rosni Haji Zahari</b></td><td><b>Member Independent Non-Executive</b></td><td><b>25 March 2019</b></td></tr></tbody></table>	<b>No.</b>	<b>Members</b>	<b>Type of Membership</b>	<b>Appointment Date</b>	<b>1.</b>	<b>Dato' Rosini Abd Samad</b>	<b>Chairman Independent Non-Executive</b>	<b>7 January 2015</b>	<b>2.</b>	<b>Datuk Lim Thean Shiang</b>	<b>Member Independent Non-Executive</b>	<b>23 August 2016</b>	<b>3.</b>	<b>Dato' Hajjah Rosni Haji Zahari</b>	<b>Member Independent Non-Executive</b>	<b>25 March 2019</b>
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<b>3.</b>	<b>Dato' Hajjah Rosni Haji Zahari</b>	<b>Member Independent Non-Executive</b>	<b>25 March 2019</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 8.5

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>	:	<b>Applied</b>								
<b>Explanation on application of the practice</b>	:	<p><b>The current MSM's Audit Committee ("AC") membership provides the appropriate balance of skills, knowledge and experience that enables them to understand matters under the purview of the Audit Committee including financial reporting.</b></p> <p><b>The Chairman of AC, Dato' Rosini Abd Samad is a member of MIA, Honorary Fellow CPA Australia and a professional member of the Institute of Internal Auditors Malaysia, supported by the Datuk Lim Thean Shiang, a member of AC who has relevant experience and knowledge.</b></p> <p><b>During the financial year 2018, AC undertook the following principal activities in the discharge of its responsibilities of which the details are disclosed in AC Report of 2018 Annual Report:</b></p> <ol style="list-style-type: none"><li><b>1) Assessing the Risks and Control Environment</b></li><li><b>2) Overseeing Financial Reporting</b></li><li><b>3) Reviewing the Internal Audit Process</b></li><li><b>4) Reviewing the External Audit Process</b></li><li><b>5) Reviewing the Related Party Transactions</b></li><li><b>6) Other responsibilities and duties</b></li></ol> <p><b>AC members, in strengthening their roles had attended the following training were attended during the year 2018 as below :</b></p> <table border="1"><thead><tr><th>No.</th><th>Member</th><th>List of Trainings &amp; Organiser</th><th>Date</th></tr></thead><tbody><tr><td>1.</td><td>Dato' Rosini Abd Samad</td><td>▪ Annual Corporate Governance, Directors' Duties and Regulatory</td><td>25 January 2018</td></tr></tbody></table>	No.	Member	List of Trainings & Organiser	Date	1.	Dato' Rosini Abd Samad	▪ Annual Corporate Governance, Directors' Duties and Regulatory	25 January 2018
No.	Member	List of Trainings & Organiser	Date							
1.	Dato' Rosini Abd Samad	▪ Annual Corporate Governance, Directors' Duties and Regulatory	25 January 2018							



		<p>Updates Seminar 2018 (ARAM Global)</p>	
		<ul style="list-style-type: none"> <li>▪ Corporate Governance - Recent Changes in Companies Act 2016, MMLR &amp; MCCG 2017 (KPMG)</li> </ul>	21 February 2018
		<ul style="list-style-type: none"> <li>▪ Regulatory Updates Seminar for Directors of PLCs &amp; Unlisted Companies 2018</li> </ul>	14 May 2018
		<ul style="list-style-type: none"> <li>▪ Regulatory Updates Seminar for Directors 2018 (ARAM Global)</li> </ul>	5 December 2018
		<ul style="list-style-type: none"> <li>▪ 30%Club Roundtable Meeting and Board Mentoring Scheme Celebration (30% Club Malaysia)</li> </ul>	18 December 2018
2.	Datuk Lim Thean Shiang	<ul style="list-style-type: none"> <li>▪ Corporate Governance - Recent Changes in Companies Act 2016, MMLR &amp; MCCG 2017 (KPMG)</li> </ul>	21 February 2018
		<ul style="list-style-type: none"> <li>▪ Sustainability Statement (Ernst &amp; Young)</li> </ul>	9 April 2018
		<ul style="list-style-type: none"> <li>▪ Regulatory Updates Seminar for Directors 2018 (ARAM Global)</li> </ul>	5 December 2018
3.	Dato' Hajjah Rosni Haji Zahari	<ul style="list-style-type: none"> <li>▪ Corporate Governance - Recent Changes in Companies Act 2016, MMLR &amp; MCCG 2017 (KPMG)</li> </ul>	21 February 2018
		<ul style="list-style-type: none"> <li>▪ Corporate Governance, Directors' Duties &amp; Regulatory Updates Seminar 2018 (ARAM Global)</li> </ul>	21 March 2018
		<ul style="list-style-type: none"> <li>▪ Seminar on Directors' Remuneration for GLICs, GLC and</li> </ul>	9 September 2018

			Government Agencies 2018	
			▪ Anti-Corruption Summit 2018 – Good Governance and Integrity for Sustainable Business Growth	<b>30 October 2018</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**

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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<b>The MSM Group has a risk management and internal control framework (SORMIC) that is integrated into and where appropriate is embedded into the day-to-day business activities and management decision. The framework is adopted from MSM’s parent company; FGV Holdings Bhd. The MSM Group’s practices are generally aligned with the principles of ISO 31000. Our Board acknowledges its overall responsibility in overseeing the MSM Group’s risk management framework and internal control systems and is cognisant that the framework and control systems are designed to manage and reduce, rather than eliminate, the risks identified.</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

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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<p><b>Yes, MSM does disclose its Risk Management Framework and Internal Control System in the Board Governance Risk Management Committee (BGRMC) and MSM's Board.</b></p> <p>The adequacy and effectiveness of this framework is shown through the Top Ten Group and Cluster Risks and mitigation measures are reported quarterly to MSM's Management, BGRMC, MSM's Board and to our parent company; FGV Holdings Bhd. In fact, this information is updated for all risks in the company's risk register which currently contains 81 risk items. The quarterly risk report also covers high level strategic risks, project and emerging risks which forms an effective tool in monitoring risk management and framework within the MSM Group.</p> <p>In relation to Risk Management, the BGRMC's roles and responsibilities are as below :</p> <ol style="list-style-type: none"> <li>1) Directs and oversees the formulation of the Group's overall enterprise risk management framework and strategies, including policies, procedures, systems, capability and parameters to identify, assess and manage risks to ensure their relevance and appropriateness to the Group's position and business;</li> <li>2) Reports, advises and recommends to the Board, tolerance and strategy on managing business risks; and</li> <li>3) Reports to the Board, key business risks and seeks its approval on the management of key business risks that are aligned to the Group.</li> </ol>
<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 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>	<b>:</b>	<b>Adopted</b>																
<b>Explanation on adoption of the practice</b>	<b>:</b>	<p><b>MSM has its Board Governance &amp; Risk Management Committee ("BGRMC") on 20 August 2014 to assist the Board in fulfilling its statutory and fiduciary responsibilities in relation to governance, ethics and risk management within the MSM Group.</b></p> <p><b>The current BGRMC comprises of three (3) Directors of which two (2) are Independent Directors and one (1) Non-Independent Director.</b></p> <p><b>Members of MSM BGRMC are :</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">No.</th> <th style="width: 45%;">Members</th> <th style="width: 30%;">Type of Membership</th> <th style="width: 20%;">Appointment Date</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Datuk Lim Thean Shiang</td> <td>Chairman Independent Non-Executive</td> <td style="text-align: center;">20 August 2014</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Dato' Rosini Abd Samad</td> <td>Member Independent Non-Executive</td> <td style="text-align: center;">23 August 2016</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Dato' Ab Ghani Mohd Ali</td> <td>Member Non-Independent Non-Executive</td> <td style="text-align: center;">26 October 2018</td> </tr> </tbody> </table> <p><b>BGRMC is governed by its Terms of Reference ("TOR"). The key/areas of responsibilities of BGRMC as spelt out in the TOR is to direct and oversee the formulation of a structured mechanism to inculcate a strong risk management culture which include the areas of governance, ethics and integrity and risk management.</b></p> <p><b>The key/areas of responsibilities of the Chairman and other members of BGRMC are set up in the TOR which is made available at MSM's corporate website at <a href="http://www.msmsugar.com/our-company/corporate-governance">http://www.msmsugar.com/our-company/corporate-governance</a>.</b></p>	No.	Members	Type of Membership	Appointment Date	1.	Datuk Lim Thean Shiang	Chairman Independent Non-Executive	20 August 2014	2.	Dato' Rosini Abd Samad	Member Independent Non-Executive	23 August 2016	3.	Dato' Ab Ghani Mohd Ali	Member Non-Independent Non-Executive	26 October 2018
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3.	Dato' Ab Ghani Mohd Ali	Member Non-Independent Non-Executive	26 October 2018															

## 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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<p><b>MSM Group’s internal audit role is undertaken by it’s holding company’s Group Internal Audit (“GIA”) function. The FGV Chief Internal Auditor reports to the MSM Audit Committee functionally and to the FGV Group Chief Executive Officer on administrative matters. There is formalised in the GIA Charter approved by the FGV Audit Committee.</b></p> <p><b>The Audit Committee undertakes the following functional review of GIA’s activities :</b></p> <ol style="list-style-type: none"> <li><b>1. Review and approve the annual GIA plan by assessing the priority ranking of the audit universe to provide sufficient audit coverage and benchmarked against the previous year’s GIA Plan;</b></li> <li><b>2. Assess the adequacy of resources of the internal audit function to execute the Annual GIA Plan after taking into consideration the number of planned assignments and competencies required;</b></li> <li><b>3. Review the observations from the internal audit reports issued during the quarter;</b></li> <li><b>4. Review the progress of implementation of the recommendations from internal audit reports issued;</b></li> <li><b>5. Review the progress of the implementation of the annual GIA Plan;</b></li> <li><b>6. Evaluate the outcome of any special reviews and investigations, including those arising from Management and Audit Committee requests, and discussed with the Management on the action taken on the matter; and</b></li> <li><b>7. Appraise the performance of the Chief Internal Auditor.</b></li> </ol>
<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

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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<p>FGV GIA has undertaken a survey of the relationship of its internal auditors in October 2018 and noted that the internal auditors are free from any relationship or conflicts of interests which could impair their objectivity and independence. GIA undertakes a survey of the relationship of its auditors once every two (2) years and ensures that the rotation of internal auditors does not result in any compromise of objectivity and independence.</p> <p>The FGV Chief Internal Auditor, Puan Zalily Mohd. Zaman Khan, is a fellow member of CPA Australia, a Certified Internal Auditor of the Institute of Internal Auditors, USA and holds an accounting degree from University of South Australia. She has accumulated almost 30 years of experience in various industries.</p> <p>The FGV Chief Internal Auditor leads the internal audits across MSM Group. Five (5) internal auditors comprising of a Senior General Manager, a Manager and one (1) team of three (3) persons from the FGV GIA have been specifically assigned for audits of MSM Group throughout the financial year. The team may be supplemented with personnel from other segments of GIA's organization structure, where it is deemed required. MSM also has the benefit of the FGV IT audit team that perform internal audit work related to information technology.</p> <p>The conduct of the Group Internal audit is based on a Group Internal Audit Charter which was established consistent with the requirements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF). External evaluation is undertaken once in every five (5) years to assess the Group Internal Audit function's performance against the IPPF. The next external evaluation will be undertaken in 2019.</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>	:	<b>Applied</b>															
<b>Explanation on application of the practice</b>	:	<p>i. Regular and timely disclosure of information to investors and media agencies particularly during quarterly results via audio conferencing, one-on-one calls, emails and interviews.</p> <p>ii. Written correspondence to media and investors on questions and answers, information updates and statements.</p> <p>iii. Meetings and courtesy visit; interactions with investors and government agencies to MSM's sugar refinery.</p> <p>iv. Conduct Annual General Meeting (AGM) for effective shareholder's participation and an opportunity for stakeholders to vote and be heard.</p> <p>v. Distributing and updating company information on corporate website, newsletters and annual reports.</p> <p>vi. Press conference arrangement when necessary.</p> <p>During 2018, MSM had engaged with its shareholders as below:</p> <ul style="list-style-type: none"><li>Analyst Briefing on quarterly results:</li></ul> <table border="1"><thead><tr><th>No.</th><th>Briefing Type</th><th>Briefing Date</th></tr></thead><tbody><tr><td>1.</td><td>4<sup>th</sup> quarter for the financial year ended 31.12.2017</td><td>22 February 2018</td></tr><tr><td>2.</td><td>1<sup>st</sup> quarter for the financial year ended 31.12.2018</td><td>23 May 2018</td></tr><tr><td>3.</td><td>2<sup>nd</sup> quarter for the financial year ended 31.12.2018</td><td>24 August 2018</td></tr><tr><td>4.</td><td>3<sup>rd</sup> quarter for the financial year ended 31.12.2018</td><td>21 November 2018</td></tr></tbody></table>	No.	Briefing Type	Briefing Date	1.	4 <sup>th</sup> quarter for the financial year ended 31.12.2017	22 February 2018	2.	1 <sup>st</sup> quarter for the financial year ended 31.12.2018	23 May 2018	3.	2 <sup>nd</sup> quarter for the financial year ended 31.12.2018	24 August 2018	4.	3 <sup>rd</sup> quarter for the financial year ended 31.12.2018	21 November 2018
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	<ul style="list-style-type: none"> <li>• <b>One-on-one Meeting and Courtesy Visit:</b></li> </ul> <table border="1" data-bbox="614 264 1406 887"> <thead> <tr> <th data-bbox="614 264 703 304">No.</th> <th data-bbox="703 264 1118 304">Meeting/Visit</th> <th data-bbox="1118 264 1406 304">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="614 304 703 376">1.</td> <td data-bbox="703 304 1118 376">Meeting with ValueCap – post 1Q18</td> <td data-bbox="1118 304 1406 376">11 June 2018</td> </tr> <tr> <td data-bbox="614 376 703 416">2.</td> <td data-bbox="703 376 1118 416">Meeting with MIDF Research</td> <td data-bbox="1118 376 1406 416">12 June 2018</td> </tr> <tr> <td data-bbox="614 416 703 488">3.</td> <td data-bbox="703 416 1118 488">Meeting with Affin Hwang Capital Research</td> <td data-bbox="1118 416 1406 488">11 July 2018</td> </tr> <tr> <td data-bbox="614 488 703 667">4.</td> <td data-bbox="703 488 1118 667">Analyst Courtesy Visit to MSM Johor (MIDF, Etiqa, Amanahraya, Maybank Asset Management, KPF)</td> <td data-bbox="1118 488 1406 667">17 July 2018</td> </tr> <tr> <td data-bbox="614 667 703 775">5.</td> <td data-bbox="703 667 1118 775">Courtesy Visit by KPDNHEP Minister and delegates to MSM Prai</td> <td data-bbox="1118 667 1406 775">6 August 2018</td> </tr> <tr> <td data-bbox="614 775 703 815">6.</td> <td data-bbox="703 775 1118 815">Meeting with ValueCap</td> <td data-bbox="1118 775 1406 815">4 September 2018</td> </tr> <tr> <td data-bbox="614 815 703 887">7.</td> <td data-bbox="703 815 1118 887">Meeting with AmInvestment, SOCSO, EPF and PNB</td> <td data-bbox="1118 815 1406 887">10 October 2018</td> </tr> </tbody> </table> <p data-bbox="555 954 959 987"><b>MSM 2018 AGM : 26 June 2018</b></p>	No.	Meeting/Visit	Date	1.	Meeting with ValueCap – post 1Q18	11 June 2018	2.	Meeting with MIDF Research	12 June 2018	3.	Meeting with Affin Hwang Capital Research	11 July 2018	4.	Analyst Courtesy Visit to MSM Johor (MIDF, Etiqa, Amanahraya, Maybank Asset Management, KPF)	17 July 2018	5.	Courtesy Visit by KPDNHEP Minister and delegates to MSM Prai	6 August 2018	6.	Meeting with ValueCap	4 September 2018	7.	Meeting with AmInvestment, SOCSO, EPF and PNB	10 October 2018
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<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>	<b>:</b>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<b>:</b>	<p><b>In developing its reports, MSM refers and benchmark to the following standards:</b></p> <ul style="list-style-type: none"><li><b>i) International &lt;IR&gt; Framework</b></li><li><b>ii) MCGG 2017 Guidelines</b></li><li><b>iii) Bursa Malaysia Listing Requirements 2017</b></li></ul> <p><b>The Annual Report (the Report) has been compiled in accordance with the concepts, guiding principles and content elements contained in the International &lt;IR&gt; Framework issued by the International Integrated Reporting Council (IIRC). This framework supports a focus on reporting on the ability to create value over the short, medium and long term as well as the connectivity and interdependencies of the six capitals, namely financial, manufactured, intellectual, human, social and relationship and natural capital.</b></p> <p><b>The Report provides a complete and balanced review of MSM Malaysia Holdings Berhad and its subsidiaries on the Economic, Environmental and Social performance within the context of its strategy, risks and opportunities for the period 1 January 2018 to 31 December 2018.</b></p> <p><b>This Report adheres to the guidelines laid down within Bursa Malaysia's Main Market Listing Requirements and Sustainability Guidelines, as well as the Listing Requirements (24<sup>th</sup> March 2016). It also complies with requirements for Economic, Environmental and Social (EES) reporting as outlined under the Global Reporting Initiative (GRI). Compliance with Malaysian legal requirements under the Companies Act 2016 and Malaysian Code on Corporate Governance 2017 has also been adhered to.</b></p>

The content of MSM's 2018 Annual Report is summarised below:

- ◆ **About This Report**
- ◆ **Chairman's Statement**
- ◆ **Delivering Value**
  - Key Highlights
  - Six Capitals
  - Strategic Performance
  - Sustainability Focus
  - Shaping Material Matters
  - Linking the Capitals & Materials to Strategy, Sustainability & Risks
- ◆ **MSM Overview**
  - Corporate Overview
  - Corporate Profile
  - Corporate Milestones
  - Corporate Structure
  - Organisational Structure
  - Corporate Information
  - Key Moments
  - Awards & Certifications
- ◆ **Management Discussion & Analysis**
  - i) **Strategic Review**
    - Executive Director's Review
    - MSM's Strategy
    - Key Risks & Mitigations
    - Global Presence
    - Stakeholders Engagement
    - Market Landscape
  - ii) **Business Review**
    - Group Financial Review
    - Raw Sugar Sourcing & Procurement
    - Raw Sugar Refining
    - Sales & Marketing
    - Supply Chain Management & Distribution
    - Plantation
- ◆ **Group Financial Report**
  - 5-Year Financial Summary
  - Simplified Group Statement of Financial Position
  - Group Quarterly Financial Performance
  - Statement of Value Added
  - Segmental Analysis
  - Sales Analysis
  - Investor Relations
- ◆ **Sustainability Report**
  - Sustainability Policy

	<ul style="list-style-type: none"> <li>- Economic Sustainability</li> <li>- Environmental Sustainability</li> <li>- Social Sustainability</li> <li>◆ <b>Effective Leadership</b> <ul style="list-style-type: none"> <li>- Profile of the Board of Directors</li> <li>- Profile of Company Secretaries</li> <li>- Profile of the Senior Management</li> </ul> </li> <li>◆ <b>Corporate Governance</b> <ul style="list-style-type: none"> <li>- Corporate Governance Overview Statement</li> <li>- Audit Committee Report</li> <li>- Nomination and Remuneration Committee Report</li> <li>- Board Governance &amp; Risk Management Committee Report</li> <li>- Investment Committee Report</li> <li>- Additional Compliance Report</li> <li>- Corporate Integrity</li> <li>- Statement on Risk Management &amp; Internal Control</li> <li>- Internal Policies, Procedures and Guidelines</li> <li>- Business Continuity Management</li> </ul> </li> <li>◆ <b>Financial Statement</b> <ul style="list-style-type: none"> <li>- Statement on Directors' Responsibilities</li> <li>- Directors' Report</li> <li>- Statement by Directors</li> <li>- Statutory Declaration</li> <li>- Independent Auditors' Report</li> <li>- Statement of Comprehensive Income</li> <li>- Statement of Financial Position</li> <li>- Consolidated Statement of Changes in Equity</li> <li>- Statement of Changes in Equity</li> <li>- Statement of Cash Flow</li> <li>- Notes to the Financial Statement</li> </ul> </li> <li>◆ <b>Additional Information</b> <ul style="list-style-type: none"> <li>- Analysis of Shareholdings</li> <li>- Summary of Properties Owned</li> <li>- Summary of Properties Leased</li> <li>- List of Top 10 Properties Owned</li> <li>- Group Corporate Directory</li> </ul> </li> <li>◆ <b>Details of the Annual General Meeting</b> <ul style="list-style-type: none"> <li>- Notice of Annual General Meeting (AGM)</li> <li>- Statement Accompanying Notice of AGM</li> <li>- Administrative Details</li> <li>- Proxy Form</li> </ul> </li> </ul>
<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>		
<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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<p><b>MSM 7<sup>th</sup> Annual General Meeting (“AGM”) was held on 26 June 2018. The notice for the 7<sup>th</sup> AGM was issued on 23 April 2018 which is more than 28 days prior to AGM date to comply with the best practice recommended by MCCG 2017.</b></p> <p><b>The same practice will be applied to MSM 8<sup>th</sup> AGM which to be held on 19 June 2019, whereby the Notice will be issued on 26 April 2019.</b></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

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>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	<p><b>All directors of MSM and all Chairman of the Board Committees attended the 2018 Annual General Meeting (“AGM”). The Board also ensures that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.</b></p> <p><b>Chairman of the Board chaired the 7th AGM of the Company held on 26 June 2018 in an orderly manner and allowed the shareholders or proxies to speak at the meeting. All Directors were present to the 7th AGM to respond to the questions raised by the shareholders or proxies.</b></p> <p><b>Questions raised by the Minority Shareholders Watch Group (“MSWG”) prior to the AGM together with the feedback from Management were also shared with shareholders during the AGM. The Chairman provided fair opportunity and time to all shareholders in exercising their rights to raise questions.</b></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

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>	:	<b>Departure</b>
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p><b>MSM always have its shareholders’ meeting in urban area as to ensure easy access by its shareholders.</b></p> <p><b>To-date, MSM does not practice either voting in absentia or remote shareholders’ participation at shareholders’ meetings due to the following reasons :</b></p> <ul style="list-style-type: none"> <li><b>i. Lack in face-to-face communication. Shareholders should have the ability to confront the board of directors and assess their verbal and physical responses.</b></li> <li><b>ii. Risk of fraud and the validity of shareholder votes.</b></li> </ul> <p><b>MSM has leveraged on technology to facilitate electronic voting (“e-voting”) for the conduct of poll on all resolutions proposed started from its 2017 Annual General Meeting (“AGM”). Electronic voting devices were used to provide a more efficient and accurate outcome of the results.</b></p> <p><b>During 2018 AGM, MSM had appointed Boardroom Share Registrar Sdn Bhd (formerly known as Symphony Share Registrar Sdn Bhd) as Poll Administrator to conduct the polling process, and Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) as Scrutineers to verify the poll results.</b></p> <p><b>Even MSM is currently depart from facilitating the voting in absentia and remote shareholders’ participation at shareholders’ meeting, MSM allows its shareholders to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting as an alternative to the recommended practice.</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>		

<b>Measure</b>	: <b>MSM will assess the situation and consider to study on the technology to endeavor the development of an appropriate technology to facilitate voting in absentia and remote shareholders' participation at general meetings.</b>
<b>Timeframe</b>	:

**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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