

## **CORPORATE GOVERNANCE REPORT**

STOCK CODE : 2852

COMPANY NAME : Cahya Mata Sarawak Berhad

FINANCIAL YEAR : 31 December 2019

### **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 TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

#### Practice 1.1

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

Application :	Applied
Explanation : on application of the practice	<p>The Board of CMS is responsible for the overall governance of the Group and is accountable to shareholders for the performance of CMS. The Board is committed to act in the best interests of the Company and its stakeholders by exercising due diligence and care in discharging its duties and responsibilities.</p> <p>The Board together with Management is committed to promote good corporate governance culture within the Group which reinforces ethical and professional behaviour. The Board has in place relevant policies and procedures which are reviewed regularly. The Board is also guided by its Board Charter to discharge its duties and responsibilities effectively.</p> <p>Specific functions are delegated by the Board to the Board Committees, namely the Group Audit Committee (GAC), Nomination &amp; Remuneration Committee (NRC), Group Risk Committee (GRC) and ad-hoc Digital Transformation Committee (DTC) and Senior Management.</p> <p>Outlined below are some of the activities undertaken by the Board and Board Committees in 2019:</p> <ol style="list-style-type: none"><li>1. Review, challenge and approve the Group's strategic plan and direction and monitor its implementation by management</li></ol> <p>The Board plays an active role in the development of the Group's strategic plans and direction. An annual Board Strategic Retreat is held together with the Senior Management team to discuss its long-term strategic objectives. The 2019 Board Strategic Retreat was held in August followed shortly after by the Senior Management Retreat. The Board subsequently approved the Group Management Plan (GMP) 2020 – 2022 in November. Progress of the respective Division's businesses are reported to the Board at every Board meeting throughout the year and half-year reviews are also conducted to monitor Senior Management's implementation of the approved strategic plans.</p>

	<p>2. Internal control and risk management</p> <p>During the year, the Board, with recommendation of the GRC, reviewed and deliberated the top risks exposure for the Group and via the GAC, reviewed the adequacy and integrity of the Group's internal control systems.</p> <p>3. Succession planning</p> <p>The Board delegated its duty on succession planning to the NRC. In 2019, NRC had carried out the review of succession plans for the Directors including the succession planning framework for the Independent Non-Executive Directors and Senior Management.</p> <p>4. Monitoring and assessment of management performance</p> <p>At the start of each year, the Board, via the NRC, approves the KPI setting which is based on the approved GMP for Senior Management which is cascaded down to the employees of the Group. The KPI (half-year and final) are reviewed and reported to the Board via the NRC. The KPI for the Group Internal Auditor and Chief Information Officer is approved by the GAC and DTC respectively.</p> <p>5. Effective communication with stakeholders</p> <p>During 2019 the Group's stakeholders were updated with the performance and financial results through engagements and press/media releases of the relevant information which were also made available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p>6. Corporate Governance (CG) review</p> <p>An annual review of the Board Charter and Board Committees' Terms of Reference (TOR) is carried out to ensure they are in line with the CG practices as guided by Main Market Listing Requirements and the Malaysian Code on Corporate Governance.</p>
<b>Explanation :</b> <b>for departure</b>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure :</b>	
<b>Timeframe :</b>	

## Intended Outcome

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

### Practice 1.2

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

Application :	Applied
Explanation : on application of the practice	<p>The Chairman of the Board, Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf, leads the Board and plays a key role in instilling good corporate governance practices in the Company.</p> <p>The roles and responsibilities of the Chairman of the Board are specified in item 4.3 of the Board Charter which is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p>The Chairman also plays a main role in ensuring 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 general meetings are conducted effectively with all relevant matters tabled in the agenda and that all Shareholders receive timely information and are given the opportunities to ask questions at the meetings</li><li>▪ Ensure the Board is updated on material matters relating to the Group by the Senior Management</li><li>▪ Act as the major point of contact between the Board and Group Managing Director (MD)</li><li>▪ Review progress regularly on important initiatives and significant issues facing the Group together with the Senior Management</li></ul>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	

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

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

### Practice 1.3

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

Application :	Applied	
Explanation : on application of the practice	The separation of functions of the Board Chairman, Group Executive Director and GCEO is specified in item 4.6 of the Board Charter which is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a> .  The separation of function of these roles ensures that there is a clear and proper division of power and authority. The Board Charter provides that the Chairman should be held by a Non-Executive Director.	
Explanation : for departure		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

## Intended Outcome

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

### Practice 1.4

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

Application :	Applied
Explanation : on application of the practice	<p>The Group Company Secretary is a person qualified to act as a company secretary under Section 235 (2) of the Companies Act 2016 and holds the requisite Practising Certificate under Section 241 of the Companies Act 2016 issued by Suruhanjaya Syarikat Malaysia. The Group Company Secretary is an Associate member of MAICSA, with more than 20 years of experience in company secretarial practice.</p> <p>The Group Company Secretary's roles and responsibilities are specified in item 13.3 of the Board Charter which is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <ul style="list-style-type: none"><li>▪ Advising the Board on its roles and responsibilities</li><li>▪ Working closely with the Chairman to raise all material compliance and governance issues</li><li>▪ Manage Board and Board Committee meeting logistics, attend and record minutes of meetings and facilitate Board communication</li><li>▪ Advising the Directors on corporate disclosures and compliance matters such as disclosure of interests, conflict of interest, prohibition of dealing in securities and restriction on disclosure of price-sensitive information</li><li>▪ Facilitating the induction of new Directors and assist in Directors' training and development</li><li>▪ Managing the process on shareholders' general meetings</li><li>▪ Monitor corporate governance developments and assist the Board in application of good corporate governance practices</li><li>▪ Serve as focal point for stakeholders' communication and engagement on corporate governance issues</li></ul> <p>The Group Company Secretary has attended continuous professional development programmes as required by the Companies Commission of Malaysia.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

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



## Intended Outcome

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

### Practice 1.5

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

Application :	Applied
Explanation : on application of the practice	<p>The annual meeting calendar which includes Board and Board Committee meetings, Annual General Meeting (AGM) and Board Strategic Retreat for each financial year are scheduled in advance to facilitate the Directors' time planning.</p> <p>The timeline for distribution of Board notice, agenda items and papers is specified in item 7.2 of the Board Charter which is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p>The agendas, reports and meeting papers are distributed in advance at least five (5) business days prior to the meetings to allow the Directors sufficient time to read through so that they can contribute effectively at the meetings. Meeting papers that are deemed urgent may still be submitted to the Group Company Secretary to be tabled to the Board and/or Board Committees at the respective meetings, subject to the approval of the Chairman or Board Committee Chairman respectively.</p> <p>For effective conduct of meetings, meeting agenda is organised by taking into consideration complexity of the proposals/matters to be deliberated. Each agenda item is considered with time allocation. Meeting papers are approved by the Group MD or Head of Department prior to circulation to the Board or Board Committees. Where necessary, management and external advisors/consultants are invited to attend meetings to provide insights, professional views and explanation on specific items on the agenda.</p> <p>All key deliberations and decisions at Board and Board Committee meetings are recorded in the respective minutes of meetings. Minutes of meetings are circulated to Board or Board Committee members by the Group Company Secretary within seven (7) days upon the conclusion of meetings. Every Director or Board Committee member has the opportunity to review and make correction to the minutes. Board and Board Committee decisions are communicated to the relevant members of management for follow up and/or action. Status of matters arising from the previous meetings are presented at the next meetings for update/discussion until completion.</p> <p>The final minutes of Board and Board Committees meetings are tabled for confirmation at the next meetings. Minutes of Board Committee meetings are presented at Board meetings for notation.</p>

<b>Explanation :</b> <b>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	
Explanation	:	The Board Charter serves as a primary reference for prospective and existing Board members of their fiduciary duties as directors of the Company, and the functions of the Board Committees. It sets out amongst other things, the roles and responsibilities of the directors and Board Committee members.  The Board Charter is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a> .  The Board conducts regular review of the Board Charter to keep it up to date and consistent with the Board's objectives taking into consideration the needs of the CMS Group as well as any development in rules and regulations that may impact on the Board's duties and responsibilities.	
Explanation	:	for departure	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## Intended Outcome

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

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

### Practice 3.1

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

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

Application :	Applied
Explanation : on application of the practice	<p><b>Code of Ethics</b></p> <p>In discharging its responsibilities, the Board observes the principles of ethical conduct as contained in the CMS Code of Ethics for Directors. The Directors' Code of Ethics details the ethical standards of behaviour and conduct expected from all Directors of the Group. All Directors have given their commitment to comply with the Directors' Code of Ethics through a signed declaration. The Directors' Code of Ethics are made available to the Directors and are also published on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p><b>Code of Conduct</b></p> <p>The Company has an established Code of Conduct which is also published on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p><b>Disclosure of Interests</b></p> <p>The Directors additionally have a duty to make an immediate declaration to the Board if they have interests in direct or indirect transactions within the Group. The interested Directors would serve notice to the Board and thereupon abstain from deliberation and decisions of the Board on the transactions in question. Where Directors are interested in a corporate proposal undertaken by the Company requiring the approval of the shareholders, the interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, on the resolutions pertaining to the corporate proposal. They will further undertake to ensure that persons connected to them also abstain from voting on the resolutions. Further, employees are required to disclose in writing any conflict of interests between their duties and personal interests.</p>
Explanation : for departure	

*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 3.2

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

Application :	Applied	
Explanation : on application of the practice	<p>The Board has established a Whistle-Blowing Policy which is periodically reviewed and published on the Company’s website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p>The Whistle-Blowing Policy provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group’s policies and guidelines as well as to flag concerns related to possible improprieties, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group.</p> <p>The Board is responsible for overseeing the implementation of the Whistle-Blowing Policy. Contact details on the Company website were also published to enable full access to external parties to lodge potential cases in full confidence and discretion.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

## Intended Outcome

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> :	Departure																
<b>Explanation</b> : on application of the practice																	
<b>Explanation</b> : <b>for departure</b>	<p>As at 31 December 2019 the Board had eight (8) members, comprising one (1) executive and seven (7) non-executive directors of which four (4) are independent. The executive director is the Group MD and the Chairman is an independent non-executive director.</p> <p>Subsequent to the year end, an independent non-executive director, Y Bhg Datu Hubert Thian Chong Hui, retired from the Board on 1 February 2020. On 26 February 2020 the NRC and Board carried out a Board composition review and approved the recommendation to recruit a new independent director to fill this vacancy.</p> <p>The current status of the Board composition is:</p> <table border="1"> <thead> <tr> <th>Designation</th><th>No of directors</th><th>Percentage (%)</th></tr> </thead> <tbody> <tr> <td>Executive Director</td><td>1</td><td>14</td></tr> <tr> <td>Non-Independent Non-Executive Directors</td><td>3</td><td>43</td></tr> <tr> <td>Independent Directors</td><td>3</td><td>43</td></tr> <tr> <td>Total</td><td>7</td><td>100</td></tr> </tbody> </table>		Designation	No of directors	Percentage (%)	Executive Director	1	14	Non-Independent Non-Executive Directors	3	43	Independent Directors	3	43	Total	7	100
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<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> :	The Board has approved the recommendation to engage an independent search firm to source for suitable candidate(s) for appointment as independent director(s) of the Company.																
<b>Timeframe</b> :	Within 1 year																

## Intended Outcome

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

### Practice 4.2

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

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

Application :	Applied	
Explanation : on application of the practice	None of the independent directors have served for a cumulative term limit of nine (9) years.	
<b>Explanation :</b> <b>for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure :</b>		
<b>Timeframe :</b>		



### Intended Outcome

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

### Practice 4.3 - Step Up

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

Application	:	Applied	
Explanation : on application of the practice	:	The Company has a policy which limits the tenure of Independent Directors to cumulative terms of no more than nine (9) years. This policy is detailed in the Board Charter which is available on the Company’s website at <a href="http://www.cmsb.my">www.cmsb.my</a> .  On completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director’s re-designation as a Non-Independent Director.	
Explanation :	:	for departure	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## Intended Outcome

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

### Practice 4.4

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

Application :	Applied
Explanation : on application of the practice	<p>The Board has put in place the necessary selection criteria for the appointment of Directors. The NRC oversees the selection and assessment of Directors to ensure the Board's composition remains relevant and effective. Each year, at the annual Board Effectiveness Evaluation (BEE) exercise, and where necessary, the NRC reviews the composition and structure of the Board and Board Committees taking into consideration its size, core competencies and skills to ensure appropriate balance and the Board and Board Committees' composition has the requisite competencies to effectively discharge their functions and responsibilities. The Board aims to ensure a diverse Board and therefore the NRC takes into account diversity in terms of gender, race/ethnicity and age aside from the candidates' skills, knowledge, experience, background and expertise in its assessment and evaluation. The NRC also reviews the Board skills matrix/competency map to identify the necessary skill sets that are required for an effective Board.</p> <p>All potential nominees and/or candidates for appointment on the Board are first considered by the NRC taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. The NRC will then endorse the nominees and candidates for approval by the Board.</p> <p>On senior management appointment, candidates are first considered by the NRC who considers their skills set, competencies, experience, integrity and other qualities prior to recommendation for approval by the Board.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	

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

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

### Practice 4.5

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

Application	:	Departure
Explanation	:	on application of the practice
Explanation	:	<b>for departure</b>
<p>The Company has not adopted a formal gender diversity policy. The Board acknowledges the importance of board diversity, including gender, age and ethnicity diversity, to the effective functioning of the Board. In seeking potential candidates for new appointments, the Board shall take into account these various diversity factors to ensure the Board remains balanced. In this regard the NRC is responsible for reviewing and assessing the composition and performance of the Board. The NRC will also identify appropriate qualified persons to occupy Board positions. The NRC, in reviewing the Board composition, will consider the benefits of diversity in order to maintain the mix of skills, knowledge and experience of the Board underpinned by meritocracy which is the overriding focus and primary aim when selecting new candidates for Board memberships as well as evaluating the performance of the Board and each individual member.</p> <p>Currently the Board comprises one (1) woman Director. The NRC/Board will continue to refresh its Board of Directors in a systematic manner to ensure there is continuity and balance in the composition.</p>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board, through NRC, will continue to identify suitable candidates for appointment of women directors on the Board.
Timeframe	:	Within 2 years

## Intended Outcome

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

### Practice 4.6

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

Application :	Departure	
Explanation : on application of the practice		
Explanation : for departure	<p>The NRC assists the Board in assessing and recommending the preferred mix of skills, knowledge, experience, calibre, qualities and other attributes for candidacy on the Board.</p> <p>In 2019 there were two (2) Board appointments namely, Y Bhg Dato Isaac Lugun and Y Bhg Datuk Ir. Kamarudin bin Zakaria. During the year the Board carried out its strategic restructuring exercise where the NRC/Board, after careful consideration, agreed to appoint a Group MD from within the CMS Group. The Board, assisted by the NRC, had identified Y Bhg Datuk Ir. Kamarudin bin Zakaria who was engaged as a Technical Advisor to Malaysian Phosphate Additives (Sarawak) Sdn Bhd, a strategic investment and subsidiary company of CMSB, as a suitable candidate with the preferred attributes and technical background for Board candidacy. The appointment of Y Bhg Datuk Ir. Kamarudin bin Zakaria was approved by the Board in November upon recommendation by NRC.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	The Board has approved the recommendation to engage an independent search firm to source for suitable candidate(s) for appointment as independent director(s) of the Company.	
Timeframe :	Within 1 year	

### Intended Outcome

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

### Practice 4.7

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

Application :	Applied	
Explanation : on application of the practice	The NRC is chaired by Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf who is an Independent Director.	
<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.

Application :	Applied
Explanation : on application of the practice	<p>The evaluation of the Board and Board Committees is specified in item 8 of the Board Charter which is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p>The NRC carries out the BEE exercise annually. An external consultant is engaged once every three (3) years to assist the NRC to facilitate an objective and candid board evaluation.</p> <p>The Board agreed to carry out the BEE 2019 by way of in house survey questionnaires which comprised the Board, Board Committees, Directors and Board Committee members' Self and Peer Assessment.</p> <p>The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and the Board's engagement, as well as the effectiveness of the Chairman. The assessment of individual Directors' contribution and performance is conducted based on performance criteria which are incorporated in the Directors' questionnaires. The effectiveness of the Board Committees is assessed in terms of structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees.</p> <p>In February 2020, the Board resolved to adopt the BEE 2019 results, which included the key areas for enhancement, as recommended by the NRC. The Board and Board Committees were self assessed as performing and, in many areas, exceeded expectations. For individual directors, peer assessment showed all directors are effective.</p> <p>The Board, through the NRC, also reviewed the following:</p> <ul style="list-style-type: none"><li>▪ Declarations by the four (4) independent directors. The Board was satisfied that they display independent judgement in the boardroom.</li><li>▪ Self-evaluation of the two (2) key officers, namely Group Chief Operating Officer (COO) and Group Chief Financial Officer (CFO). The Board was satisfied that they have the requisite character, experience, integrity, competence and time to effectively discharge their respective roles.</li></ul>

	<ul style="list-style-type: none"><li>▪ Directors' attendance at Board and Board Committee meetings in 2019 which is above the minimum requirements. All the Directors attended the 44<sup>th</sup> AGM in 2019 and currently serve no more than five (5) public listed companies in Malaysia.</li><li>▪ The Board composition and structure. The Board was satisfied with regards to its composition except for the number of independent directors which the Board has agreed to increase through recruitment and selection process.</li></ul> <p>The results of the BEE 2019 assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming AGM in 2020.</p>	
<b>Explanation : for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure :</b>		
<b>Timeframe :</b>		



## Intended Outcome

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

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

## Practice 6.1

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

Application :	Applied	
Explanation : on application of the practice	<p>The Board, through the NRC, approves the remuneration packages of the Directors and Senior Management of the Group.</p> <p>The NRC is responsible to review and recommend the Directors and Senior Management remuneration framework and policies to the Board.</p> <p>There is no change to the existing Non-Executive Directors’ remuneration policy.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

## Intended Outcome

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

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

## Practice 6.2

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

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

Application :	Applied	
Explanation : on application of the practice	<p>The Board established a combined NRC since 2007 which comprises exclusively of Non-Executive Directors. The NRC's roles and responsibilities are governed by its TOR which is reviewed annually and published in the Company's corporate website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p> <p>The NRC currently comprises three (3) members, all of whom are Non-Executive Directors and a majority of whom are independent. In 2019, a total of six (6) NRC meetings were held.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

## Intended Outcome

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

### Practice 7.1

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

Application :	Applied	
Explanation : on application of the practice	The disclosure of the remuneration of the Directors is made on a named basis in the Audited Financial Statements for the financial year 2019.  Details of the Directors' Remuneration on named basis comprising remuneration received from CMS or subsidiary companies during 2019 are disclosed in Note 10 of the Audited Financial Statements which is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a> .	
Explanation : for departure		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

## Intended Outcome

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

## Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM 50,000.

Application :	Departure	
Explanation : on application of the practice		
<b>Explanation :</b> <b>for departure</b>	The Board agreed to continue with the disclosure practice whereby the remuneration of top five (5) Senior Management for the year 2019 shall be made in successive bands of RM 50,000 (including the components of salary, bonus, benefits in-kind and other emoluments). The analysis is as follows:	
	<b>Total Remuneration in Bands of RM 50,000</b>	<b>Number of Key Senior Management</b>
	RM 1,650,001 to RM 1,700,000	1
	RM 1,550,001 to RM 1,600,000	1
	RM 1,450,001 to RM 1,500,000	1
	RM 950,001 to RM 1,000,000	1
	RM 800,001 to RM 850,000	1
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure :</b>	The Board will continue to review the implications of such disclosure of senior management's remuneration and consider such disclosures in future.	
<b>Timeframe :</b>	Others	The Company intends to maintain the current practice to preserve confidentiality of such information.

### Intended Outcome

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

### Practice 7.3 - Step Up

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

Application	:	Applied	
Explanation : on application of the practice	:	<p>For the financial year 2019, the GAC comprised three (3) members, majority of whom are Independent Non-Executive Directors. The GAC members are equipped with the breadth of financial expertise and commercial acumen that are most needed for them to discharge their responsibilities and fulfil their roles as audit committee members. Subsequently on 1 February 2020, Y Bhg Datu Hubert Thian Chong Hui ceased as a member of GAC when he retired as an Independent Non-Executive Director of the Company.</p> <p>The GAC Chairman, Mr Chin Mui Khiong is a fellow of The Association of Chartered Certified Accountant and a member of The Malaysian Institute of Accountants. The GAC Chairman is not the Chairman of the Board.</p>	
Explanation :	:	for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.2

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

Application :	Applied	
Explanation : on application of the practice	The requirement that a former key audit partner is subject to observe a cooling-off period of at least two (2) years before he or she could be appointed as a member of the GAC is included in the GAC TOR.  The GAC TOR is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a> .	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.3

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

Application :	Applied	
Explanation : on application of the practice	<p>The GAC TOR requires the GAC to conduct an annual assessment of the external auditor’s performance, independence and objectivity before recommending to the Board for appointment/re-appointment. This includes assessing their quality processes, audit team competency, audit scope and planning, fees including limit of non-audit fee size, and quality of communications including holding meetings with the external auditors without the presence of management.</p> <p>For the financial year ended 31 December 2019 the GAC assessed the objectivity, independence and service quality of the external auditors, Ernst &amp; Young PLT, in March 2020 and was satisfied that Ernst &amp; Young PLT were sufficiently resourced and had demonstrated their objectivity, independence and proficiency in carrying out the audit according to the audit scope and plan. The assessment was carried out by the GAC members individually and collectively and was facilitated by the Group Internal Auditor with relevant input from the Group Finance Department and the external auditors, where necessary. The assessment was carried out according to a structured questionnaire based on the Corporate Governance Guide – 3<sup>rd</sup> Edition 2017 (Bursa Malaysia) that covered areas such as calibre of the audit firm, quality processes, audit team competency, independence and objectivity, audit planning and scoping, audit fees, and communication.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		



### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

Application :	Applied														
Explanation : on application of the practice	<p>The members of the Audit Committee have diverse background with extensive experience in accounting, auditing and finance etc. Mr Chin Mui Khiong is a fellow of The Association of Chartered Certified Accountant and a member of The Malaysian Institute of Accountants and Y Bhg Datu Hubert Thian Chong Hui was chairman/director of several CMS subsidiaries prior to his retirement on 1 February 2020. Madam Umang Nangku Jabu was previously chairman of the audit committee of another Malaysian public listed company. The profile of the GAC members are disclosed in the Directors' Profile of the Integrated Annual Report 2019.</p> <p>The Board, through the NRC, also reviews the terms of office of the GAC members and assesses their performance through the annual BEE.</p> <p>Their professional and other training during the year under review is listed below:</p> <p>Mr Chin Mui Khiong</p> <table><tr><th>Organiser</th><th>Topic</th></tr><tr><td>AuditSME</td><td>AuditSME Software Training</td></tr><tr><td>Cahaya Mata Sarawak Berhad / PwC Consulting Associates (M) Sdn Bhd</td><td>Sustainability Awareness Session</td></tr><tr><td>Malaysian Institute of Accountants</td><td>Auditor's Report for Private Entities – New and Revised International Standards on Auditing and Related Conforming Amendments on Auditor's Reports for Private Entities using MPERS or MFRS</td></tr><tr><td>Malaysian Institute of Accountants</td><td>MFRS Conference 2019 – Applications In Your Practice</td></tr><tr><td>Institute of Enterprise Risk Practitioners</td><td>The 6<sup>th</sup> Annual IERP Global Conference 2019 – Enterprise Risk Management : Dealing With The New Wave</td></tr><tr><td>Malaysian Institute of Accountants</td><td>Preparation of Group Accounts (Covering MFRS3, Revised MFRS127, 128 &amp; 10-12)</td></tr></table>	Organiser	Topic	AuditSME	AuditSME Software Training	Cahaya Mata Sarawak Berhad / PwC Consulting Associates (M) Sdn Bhd	Sustainability Awareness Session	Malaysian Institute of Accountants	Auditor's Report for Private Entities – New and Revised International Standards on Auditing and Related Conforming Amendments on Auditor's Reports for Private Entities using MPERS or MFRS	Malaysian Institute of Accountants	MFRS Conference 2019 – Applications In Your Practice	Institute of Enterprise Risk Practitioners	The 6 <sup>th</sup> Annual IERP Global Conference 2019 – Enterprise Risk Management : Dealing With The New Wave	Malaysian Institute of Accountants	Preparation of Group Accounts (Covering MFRS3, Revised MFRS127, 128 & 10-12)
Organiser	Topic														
AuditSME	AuditSME Software Training														
Cahaya Mata Sarawak Berhad / PwC Consulting Associates (M) Sdn Bhd	Sustainability Awareness Session														
Malaysian Institute of Accountants	Auditor's Report for Private Entities – New and Revised International Standards on Auditing and Related Conforming Amendments on Auditor's Reports for Private Entities using MPERS or MFRS														
Malaysian Institute of Accountants	MFRS Conference 2019 – Applications In Your Practice														
Institute of Enterprise Risk Practitioners	The 6 <sup>th</sup> Annual IERP Global Conference 2019 – Enterprise Risk Management : Dealing With The New Wave														
Malaysian Institute of Accountants	Preparation of Group Accounts (Covering MFRS3, Revised MFRS127, 128 & 10-12)														

Tricor Tax Services Sdn Bhd / JK Tax Services Sdn Bhd	Budget 2020 Seminar
Securities Commission	Securities Commission's Audit Oversight Board Conversation with Audit Committees
Madam Umang Nangku Jabu	
<b>Organiser</b>	<b>Topic</b>
Cahaya Mata Sarawak Berhad / PwC Consulting Associates (M) Sdn Bhd	Sustainability Awareness Session
The training attended by Board members who are not GAC members during the year under review is listed below:	
Y Bhg Tan Sri Abdul Rashid bin Abdul Manaf	
<b>Organiser</b>	<b>Topic</b>
Cahaya Mata Sarawak Berhad / PwC Consulting Associates (M) Sdn Bhd	Sustainability Awareness Session
Salcon Berhad / PHIEM Assets Management	Economy Outlook and Investment Opportunities in a Crisis
Bursa Malaysia Berhad / Institute of Corporate Directors Malaysia (ICDM)	Leadership Greatness in Turbulent Times – Building Corporate Longevity
Malaysian Integrity Academy	Corporate Liability (MACC Amendment) Act 2018: The Potential Risks Faced by the Company Directors & Senior Officers
Eco World Development Group Berhad	Corporate & Personal Liabilities under Anti-Corruption Law in Malaysia
Y Bhg Dato Sri Mahmud Abu Bekir Taib	
<b>Organiser</b>	<b>Topic</b>
Bursa Malaysia Berhad	Cyber Security In The Boardroom – Accelerating From Acceptance To Action
Institute of Corporate Directors Malaysia	Sustainability-Inspired Innovations : Enablers of the 21 <sup>st</sup> Century
Raja, Darryl & Loh Advocates and Solicitors	Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act 2009
Y Bhg Dato Isaac Lugun	
<b>Organiser</b>	<b>Topic</b>
The ICLIF Leadership And Governance Centre ("ICLIF")	Mandatory Accreditation Programme for Directors of Public Listed Companies
Sarawak Energy Berhad	Inaugural Sustainability & Renewable Energy Forum (SAREF) 2019

Y Bhg Datuk Seri Yam Kong Choy	
Organiser	Topic
Malaysia Airports Holdings Berhad ("MAHB")	Workshop on "Leaders as Caring Hosts"
MAHB	Workshop on the Proposed Amendments of MAHB Constitution
InvestKL	Presentation in collaboration with Economist & PwC Malaysia
CTBUH Malaysia	The Public Realm of Tall Buildings
FIDE	FIDE Forum – Reading the Signs: The Next Financial Crisis & Potential Impact on Asia
Tay & Partners	Legal Compliance Talk for Standard Chartered Bank
AECOM	The Future of Infrastructure: "Voice of the People" Client Seminar
FIDE	FIDE Elective Programme: Understanding Liquidity Risk Management in Banking
Standard Chartered Saadiq Berhad	Shariah Dialogue for 1H2019: Application of Value-Based Intermediation ("VBI")
REHDA	Future Forward Forum, #Frontiers
ICLIF	CG Watch: How Does Malaysia Rank?
MAHB	Learn from IGA's CEO, CIO, CPO & CCO at The New Airport Show Istanbul; plus terminal tours announced
Standard Chartered Saadiq Berhad	Information & Cyber Security Briefing on (Digital Footprinting)
Malaysian Institute of Corporate Governance ("MICG")	Assessment of the Board, Board Committees & Individual Directors
GreenRE	Green Building Tax Incentive Forum (GBTIF)
Paramount Corporation Berhad	Talk on "Amendments to the Malaysian Anti-Corruption Commission Act 2009" by Wong & Partners; Talk on "Asia-Pacific Residential" by Knight Frank
MICG	Members' Breakfast Talk on Whistleblowing from a Practitioners' View Point
Cinnamon Hotel & Resort, Colombo, Sri Lanka	Cinnamon Future of Tourism Summit: Challenges & Growth in the Face of a Crisis
TFWA Cannes	TFWA World Exhibition & Conference
CIDB & CIOB	CIDB/CIOB Novus Youth Arena Malaysia: Industry Forum Group Discussion Productivity & Quality Towards Professionalism
Malaysian Economic Association	IMF World Economic Outlook
REHDA	REHDA Institute Annual Property Developers Conference – CEO Series: Surviving the Turbulence & World of Disruptions. Discussion 1: Looking Ahead-Market Rebound or Tougher Outlook of the Property Market (As Moderator)

	Y Bhg Datuk Ir. Kamarudin bin Zakaria has not attended any professional and other training since his appointment on 26 November 2019.	
<b>Explanation :</b> <b>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.

Application :	Applied
Explanation : on application of the practice	<p>The Board recognises its responsibilities and the importance of sound risk management practices and internal control, and reviewing the adequacy and integrity of those systems.</p> <p>In discharging its stewardship responsibilities, the Board has established a sound risk management and internal control framework - Enterprise-Wide Risk Management Framework (ERM Framework) based on the MS ISO 31000:2010 Risk Management – Principles and Guidelines on Implementation, which is also consistent with the guidance provided to Directors as set out in the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”. The ERM Framework, which is embedded into the culture, processes and structure of the Group, and which is subject to review by the Board from time to time, provides an ongoing process for identifying, evaluating and managing major risks faced by the Group that may affect the achievement of its business objectives and strategies. However, the Board also recognises that the systems and the ERM Framework is a continuing process, designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. Therefore, the system of risk management and internal control implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.</p> <p>During the financial year, GRU has carried out a self-assessment survey on the effectiveness of the GRC, Risk Management Framework and GRU. The survey was distributed to the members of GRC, Group MD and Group COO. The survey results indicated that all respondents are generally satisfied with the effectiveness of GRC, Risk Management Framework and GRU.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<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.

Application :	Applied	
Explanation : on application of the practice	The Board via the GRC oversees the risk management matters of the Group, which include identifying, managing, monitoring, treating and mitigating significant risks across the Group. The GRC also assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group as well as to oversee the compliance and business continuity functions of the Group.  Descriptions of the key elements of the Group's risk management and internal control system and the adequacy and effectiveness of the framework can be found in the Statement on Risk Management and Internal Control in the Integrated Annual Report 2019.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		



## Intended Outcome

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

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

## Practice 9.3 – Step Up

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

Application :	Applied	
Explanation : on application of the practice	<p>The GRC was established by the Board in 2009 and is guided by the GRC's TOR which is reviewed annually.</p> <p>For the financial year 2019, the GRC comprised three (3) members, namely two (2) Independent Non-Executive Directors and one (1) Executive Director. The Chairman of the GRC is an Independent Non-Executive Director. Subsequently on 1 February 2020, Y Bhg Datu Hubert Thian Chong Hui ceased as a member of GRC when he retired as an Independent Non-Executive Director of the Company.</p> <p>The GRC TOR is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

## Intended Outcome

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

### Practice 10.1

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

Application :	Applied
Explanation : on application of the practice	<p>The internal audit function (IAF) reports functionally to the GAC and administratively to the Group MD. The IAF has full access to the GAC to discuss its functional matters at any time and meets with the GAC at least twice a year without the presence of management. This ensures the IAF is able to function independently and objectively without the undue influence of management.</p> <p>The IAF carries out its function in accordance with a recognised framework as established by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (ISPPIA). This has been affirmed by an external Quality Assurance Review carried out by the Institute of Internal Auditors Malaysia in August 2016 as part of an external Quality Assessment and Improvement Program (QAIP). In addition, the IAF carries out its own internal QAIP which is aimed at improving its internal audit quality processes and is reported to the GAC annually.</p> <p>The conduct of the IAF is governed by its Group Internal Audit Charter which is established consistent with the requirements of the ISPPIA and is approved by the GAC. The Charter is reviewed periodically to ensure it remains up-to-date with relevant legislation and standards. Staff members of the IAF are also required to annually confirm their adherence to the IIA's Code of Ethics and Confirmation of Independence which is tabled to the GAC.</p> <p>The performance evaluation of the Group Internal Auditor and staff members are tabled to the GAC annually where the GAC assesses the adequacy of resources and competency of the audit staff and ensures adequate training is provided to maintain an effective IAF. In addition, the GAC also has the power to decide on the appointment or removal of the Group Internal Auditor and approves his overall remuneration package.</p> <p>The annual audit plan is prepared by the IAF and is based on a risk analysis of all operations of the Group and includes resource planning for the IAF, and training budget and topics. The annual audit plan is subsequently tabled to and approved by the GAC. Any deviation from or amendment to the audit plan will be referred back to the GAC and progress monitoring is tabled at the quarterly GAC meetings.</p>

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

## Intended Outcome

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

### Practice 10.2

The board should disclose –

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

Application :	Applied
Explanation : on application of the practice	<p>All staff of the Internal Audit Function (IAF) comply to the IIA's Code of Ethics and are required to sign an annual confirmation to that effect. The Code of Ethics require all internal auditors to exercise and display qualities of integrity, independence, objectivity, confidentiality and competency in carrying out their duties. In addition, the IAF also confirms annually its organisational independence to the GAC and this is supported by individual members of the IAF signing their confirmation of organisational independence.</p> <p>The IAF is staffed by a total of nine (9) internal auditors including the Head of the IAF. Out of the nine (9), four (4) are Certified Internal Auditors (CIA) and the rest are in the process of obtaining their CIA qualification.</p> <p>The Head of the IAF is Mr Francis Lou Chee Ngee and is a Certified Internal Auditor as conferred by the Institute of Internal Auditors (the IIA). He holds a B. Management Studies (Finance) from the University of Waikato, New Zealand and has overall twenty-eight (28) years working experience in various fields i.e. auditing, finance and accounting, treasury, collective investment schemes, and internal auditing. He also holds a Certification in Risk Management Assurance (CRMA) from the IIA.</p> <p>The IAF carries out its function in accordance with a recognised framework as established by the IIA's International Standards for the Professional Practice of Internal Auditing (ISPPIA). This has been affirmed by an external Quality Assurance Review carried out by the Institute of Internal Auditors Malaysia in August 2016 as part of an external Quality Assessment and Improvement Program (QAIP).</p>
Explanation : for departure	

*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

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

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

### Practice 11.1

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

Application :	Applied
Explanation : on application of the practice	<p>The Board has in place an investor relations (IR) strategy to ensure an effective communication channel between the Company, its shareholders and the general public.</p> <p>The IR unit is headed by Group MD and facilitates communication between the Company and the Investment Community.</p> <p>Senior Management of the Company actively engages with the Investment Community and the Board is briefed on these interactions and feedback from the Investment Community. The IR unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the Investment Community abreast of the Company's strategic development and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors both locally and overseas.</p> <p>Twice a year, the IR unit provides reports to the Board on IR activities, comments by analysts or from the Investment Community, as well as commentary on share price information. The Board also receives a half year report on the shareholding structure, including any change to the holdings of substantial shareholders, of the Company.</p> <p>The timely release of financial results on a quarterly basis provides the Investment Community with an up-to-date view of the Group's performance and operations. The release of the quarterly financial results to Bursa Securities is accompanied by a press release and shortly afterwards Senior Management hosts face to face briefings with and take calls from the Investment Community to address any questions or concerns they may have following the release of the quarterly financial results.</p> <p>Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity. The contact information is available on the Company's website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p>
Explanation : for departure	

*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

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

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

## Practice 11.2

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

Application :	Applied	
Explanation : on application of the practice	With dedicated support from the Board, our second Integrated Annual Report presents a comprehensive account of how our business and strategies continue to create value over time. This year, the Group has sought to strengthen the Integrated Annual Report by bringing several new strategic elements into consideration. These include, a new Creating Future Value section which details the Group's 3-pronged strategy, the key strengths and the drivers of our businesses, as well as other tangible elements which support our journey towards sustaining value creation. We continue to apply and adopt global best practices with the International Integrated Reporting Council (IIRC) frameworks as a foundation and guide to deliver a clearer strategic vision of the Group. Additionally, the Integrated Annual Report this year, provides greater readability, clarity and coherence. It focuses on materiality and connectivity to ensure relevance of communication and information to all stakeholders.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		



## Intended Outcome

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

### Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has already applied this practice.</p> <p>The Notice of the 44<sup>th</sup> AGM of the Company held on 30 April 2019 was issued on 1 April 2019.</p> <p>The Notice of the forthcoming 45<sup>th</sup> AGM of the Company will be issued at a later date.</p> <p>The Company will continue to apply this practice.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

## Intended Outcome

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

### Practice 12.2

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

Application :	Applied	
Explanation : on application of the practice	<p>At the 44<sup>th</sup> AGM held on 30 April 2019, all the eight (8) Directors were present in person to engage directly with shareholders. Amongst them, three (3) Directors were the Chairmen of the GAC, NRC and GRC respectively.</p> <p>The proceedings of the 44<sup>th</sup> AGM included the Group CEO – Corporate (GCEO)’s presentation of the Company’s operating and financial performance for 2018 and a Questions &amp; Answers session during which the Chairman invited shareholders to raise questions pertaining to the Company’s financial statements and other items for adoption at the meeting, before putting a resolution to vote.</p> <p>The Directors, Group CEOs, Group CFO, Management and external auditors were in attendance to respond to the shareholders’ queries. At the meeting the GCEO also read out the Company’s responses to questions submitted in advance of the AGM by the Minority Shareholder WatchGroup (MSWG).</p> <p>The minutes of the 44<sup>th</sup> AGM, GCEO’s presentation and responses to questions by MSWG are available on the Company’s website at <a href="http://www.cmsb.my">www.cmsb.my</a>.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

## Intended Outcome

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

### Practice 12.3

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

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

Application	:	Departure	
Explanation	:	on application of the practice	
Explanation for departure	:	<p>The AGM of the Company has always been held in an accessible venue to facilitate high shareholders' attendance. Shareholders who are unable to attend general meetings may appoint any persons as their proxies to attend, speak and vote on their behalf at the general meetings in accordance with the relevant provisions of the Company's Constitution.</p> <p>The Company has adopted electronic poll voting in the poll voting process since its AGM in 2017 for a more efficient and transparent voting process and accurate results.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board will continue to assess and review the use of technology to facilitate voting in absentia and/or support remote participation by shareholders at general meetings.	
Timeframe	:	Others	To be reviewed annually

## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO 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.