

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5053  
**COMPANY NAME** : OSK Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2017

### **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is led by a dynamic and experienced Board, with high personal integrity, business acumen and management skills, which is primarily entrusted with the responsibility of charting the direction of the Group.</p> <p>The Board is responsible for the stewardship of the business and affairs of the Group on behalf of the shareholders with a view of enhancing their long-term value. The Board is responsible for establishing corporate goals and providing the strategic direction for the Group. The Board also plays a critical role in ensuring that sound and prudent policies and practices are in place and performs an oversight role in the management of the Group's businesses.</p> <p>The major responsibilities of the Board are outlined in the Board's Terms of Reference ("<b>TOR</b>") and Board Charter, both of which are available on the Company's website at <a href="http://www.oskgroup.com/corporate-governance/">www.oskgroup.com/corporate-governance/</a>. In 2017, the Board has discharged its key fiduciary duties, leadership functions and responsibilities, as follows:</p> <ul style="list-style-type: none"><li>- Review and approve the strategies, business plans and policies</li></ul> <p>The Board plays a key and active role in the formulation and development of the Company's strategies. It has, through the Group Executive Committee, put in place an annual strategy planning process, whereby the Chief Executive Officer or Head of business and functional divisions present their recommended strategies, proposed business plans and budgets for the following 3 years to the Group Executive Committee. The Group Executive Committee will review, deliberate and challenge Management's views and</p>

	<p>assumptions to deliver the best outcome prior to presenting the same to the Board for approval.</p> <p>The Management presented its 2017 Budget for Board’s approval at the Board meeting held in February 2017. The Board deliberated the 2017 Budget based on the current and foreseeable market environment and discussed in detail prior to approval at the meeting.</p> <ul style="list-style-type: none"> <li>- Oversee the conduct of the Company’s business to evaluate whether the business is being properly managed and sustained</li> </ul> <p>In discharging its responsibilities, the Management updated the Board on the key or major developments, achievements and challenges faced by the Group at the Board meeting. The Board deliberated on these matters in depth and provided their feedback and guidance before decision was made in the same meeting.</p> <ul style="list-style-type: none"> <li>- Ensure competent management and succession planning</li> </ul> <p>The Board, through the Nomination and Remuneration Committee (“<b>NRC</b>”), is responsible in ensuring that there is an orderly succession planning within the Group. The TOR of the NRC outlines its responsibilities on selection and assessment of Directors and Key Senior Management. The NRC is responsible for reviewing candidates for Key Senior Management positions based on their profiles, professional qualification, experience and other core competencies.</p> <p>In 2017, after having assessed and considered the candidate’s background, professional qualification, knowledge, integrity and competencies, as well as independence, the NRC recommended the proposed appointment of an Independent Non-Executive Director and the Board subsequently approved the recommendation.</p> <ul style="list-style-type: none"> <li>- Ensure establishment of a sound risk management framework</li> </ul> <p>The Board oversees the risk management framework of the Group through the Risk Management Committee (“<b>RMC</b>”). The RMC advises the Board on key risk areas and the adequacy and integrity of the risk management framework within the Group.</p> <p>Details of the RMC and the Company’s risk management framework are set out in the Statement on Risk Management and Internal Control of the 2017 Annual Report.</p>
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	<p>- Review the adequacy and integrity of the Company's internal control system</p> <p>The Board is responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system are available in the Statement on Risk Management and Internal Control of the 2017 Annual Report.</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 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is helmed by the Executive Chairman, Tan Sri Ong Leong Huat @ Wong Joo Hwa ("<b>Tan Sri Ong</b>") who was re-designated to his current position on 19 April 2017.</p> <p>As the Executive Chairman, Tan Sri Ong is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. When running Board Meetings, Tan Sri Ong maintains a collaborative atmosphere and ensures that all Directors contribute to debates and a consensus is reached.</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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Executive Chairman is Tan Sri Ong and the role of CEO is assumed by Mr Ong Ju Yan, who is currently the Group Managing Director ("<b>GMD</b>") of the Company.</p> <p>Whilst the Chairman and GMD are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity, there is a clear and effective division of responsibility and accountability to distinguish between the provision of leadership to the Board and the executive responsibility for running the Group's business.</p> <p>The roles and responsibilities of Chairman and GMD are clearly defined in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Ms Chua Siew Chuan and Ms Chin Mun Yee are the Company Secretaries of the Company. They are responsible for ensuring that the Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretaries also advise the Board on issues relating to the Company's Articles of Association, corporate governance best practices, and compliance with laws, rules and regulatory requirements.  During the year, all Board meetings were properly convened, and that accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The notices of meetings are sent to the Directors at least seven (7) days in advance and the meeting materials are delivered at least three (3) days before the meeting. This provides the Board with sufficient time to go through the meeting materials, seek any clarification that they may need from Management, consult the Company Secretaries or independent advisers before the meeting, if necessary, and to raise important issues during the meeting.</p> <p>All proceedings of meetings including issues raised, deliberations and decisions of the Board, including the Directors who abstained from deliberating or voting, are properly minuted. The minutes of meetings are circulated in a timely manner upon conclusion of the 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter of the Company documents the policies that the Board has decided upon to meet its responsibilities, governance and leadership.</p> <p>This is to ensure that all Board members are aware of their fiduciary duties and responsibilities, various legislations and regulations affecting their conduct, the need for safeguarding the interests of the shareholders, customers and other stakeholders and that highest standards of corporate governance are applied in all their dealings in respect and on behalf of the Company.</p> <p>The Board will review the Board Charter from time to time to ensure its applicability to the Company's current situation. The Board Charter was first adopted in 2013 and, together with all related TORs, Codes and Policies, have been reviewed and updated in February 2018 to ensure its consistency with the Board's objectives, all applicable laws, rules and regulations as well as best practices. The Board Charter is available on the Company's website at <a href="http://www.oskgroup.com/corporate-governance/">www.oskgroup.com/corporate-governance/</a>.</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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In ensuring that all Directors possess integrity and good character, the Company has adopted the Code of Conduct and Ethics for its Directors.</p> <p>The Code of Conduct and Business Ethics which promotes good business conduct with highest principles of moral behaviour and integrity is adopted in February 2018. This Code of Conduct and Business Ethics applies to all Directors and employees of the Group and replaced the existing Code of Conduct and Ethics for Directors. The Code of Conduct and Business Ethics is available on the Company's website at <a href="http://www.oskgroup.com/corporate-governance/">www.oskgroup.com/corporate-governance/</a>.</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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

**Practice 3.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company’s Whistleblowing Policy seeks to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed.</p> <p>The Whistleblowing Policy which sets out the principle and grievance procedures enables employees or members of the public to raise genuine concerns of possible improprieties perpetrated within the Group.</p> <p>The details of lodgement channels and Frequently Asked Questions in relation to whistleblowing are available on the Company’s website at <a href="http://www.oskgroup.com/corporate-governance/">www.oskgroup.com/corporate-governance/</a>. The Company through the whistleblowing coordinator shall notify the whistleblower on the outcome of investigation according to the established whistleblowing procedures.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	There are ten (10) members of the Board, comprising one (1) Executive Chairman, one (1) GMD, one (1) Deputy GMD, one (1) Executive Director, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors. The Independent Non-Executive Directors make up more than one third of the membership of the Board and is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	As of the date of this report, Mr Foo San Kan and Dato' Abdul Majit bin Ahmad Khan, being two (2) of the Independent Directors of the Company, have served on the Board for more than nine (9) years. They have expressed their intention to retire at the conclusion of the Twenty-Eighth (" <b>28th</b> ") Annual General Meeting (" <b>AGM</b> "). Hence, they will retain office until the close of the 28th AGM.  Other than the above, no Independent Director has served on the Board for more than nine (9) years from the date of their first appointments.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>With an objective to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board and Senior Management levels as an essential element in supporting the attainment of its strategic objectives and its sustainable development.</p> <p>In any appointment, a number of aspects has been considered to maintain a diversified Board and Senior Management team which will help in the growth of the Group and to have better governance in the Group, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.</p> <p>The NRC established by the Board, is responsible for screening, evaluating and recommending to the Board suitable candidates for appointment as Directors and Key Senior Management as well as filling vacancies on Board Committees.</p> <p>In pursuit of the Diversity Policy, the NRC is mindful of its responsibilities to conduct all Board appointment processes through a variety of approaches and sources in a manner that promotes diversity in boards which can offer greater depth, breadth and lead to better decisions made while taking into account suitability for the role. It will also take into consideration Board balance and composition, the required mix of skills, the candidates' background, knowledge, integrity, competency, experience and potential contribution to the Group. In addition, in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidates' independence, which would be relevant to enhance the composition of the Board.</p> <p>The Company also adopted 'Fit and Proper' standards for Directors and Key Senior Management employees in ensuring that they are of high calibre, possess sound judgement, high integrity and credibility on a continuing basis.</p> <p>The 'Fit and Proper' standards is available on the Company's website at <a href="http://www.oskgroup.com/corporate%20governance/">www.oskgroup.com/corporate governance/</a>.</p>

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

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied																																											
<b>Explanation on application of the practice</b>	:	<p>The Board discloses the Diversity Policy in the annual report, which includes gender diversity.</p> <p>The Board is committed to workplace diversity, which includes but is not limited to gender, age, ethnicity, and cultural background. The Board is also committed to Board diversity which includes the representation of women in the composition of the Board of the Company and at Senior Management level of the Group through adoption of the Diversity Policy.</p> <p>The Board views that the workplace and Board diversity is important to facilitate the decision making process by harnessing different insights and perspectives.</p> <p>The current diversity in gender, ethnicity and age of the Board and Senior Management are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Race/ Ethnicity</th> <th colspan="5">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>30-39</th> <th>40-49</th> <th>50-59</th> <th>60-69</th> <th>70-79</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>4</td> <td>5</td> <td>1</td> <td>3</td> <td>1</td> <td>1</td> <td>3</td> <td>2</td> <td>8</td> <td>2</td> </tr> <tr> <td>Senior Management<sup>^</sup></td> <td>1</td> <td>17</td> <td>0</td> <td>2</td> <td>3</td> <td>9</td> <td>3</td> <td>1</td> <td>13</td> <td>5</td> </tr> </tbody> </table> <p>Note :  <sup>^</sup> include four (4) Executive Directors</p> <p>The Board, through the NRC, will conduct all Board appointment processes in a manner that promotes gender diversity.</p> <p>The Diversity Policy is available on the Company's website at <a href="http://www.oskgroup.com/corporate%20governance/">www.oskgroup.com/corporate governance/</a>.</p>		Race/ Ethnicity			Age Group					Gender		Malay	Chinese	Indian	30-39	40-49	50-59	60-69	70-79	Male	Female	Number of Directors	4	5	1	3	1	1	3	2	8	2	Senior Management <sup>^</sup>	1	17	0	2	3	9	3	1	13	5
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<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

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

## Practice 4.6

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Identification of candidates for the appointment of Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in related industries, finance, legal and accounting professions.  The newly appointed Independent Director, Encik Nik Mohamed Sharifidin B N M Din was recommended by the Directors following the nomination process prior to the approval by the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NRC is chaired by Mr Foo San Kan, the Senior Independent Non-Executive Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied								
<b>Explanation on application of the practice</b>	:	<p>The NRC has a formal assessment mechanism in place to assess on an annual basis, the effectiveness of the Board Committees, the Board as a whole and the contribution of each individual Director, including the independence of the Independent Non-Executive Directors.</p> <p>The annual assessment criteria of the Board, Board Committees and individual Directors have been updated and are aligned with the practices of the Malaysian Code on Corporate Governance ("<b>MCCG</b>"). The areas covered in the assessment criteria are as follows:</p> <table border="1"><thead><tr><th>Evaluation</th><th>Assessment Criteria</th></tr></thead><tbody><tr><td>Board</td><td>Board mix and composition, understand the Group's mission, succession planning and development, risk and internal control oversight, effectiveness and communication</td></tr><tr><td>Board Committees</td><td>Composition, effectiveness, support, contribution and communication</td></tr><tr><td>Individual Directors</td><td>Competency, contribution and performance, preparation for Board meetings and time commitment</td></tr></tbody></table> <p>The Board viewed the current evaluation process is adequate to provide an objective assessment on the effectiveness of the Board, the Committees and each individual director.</p>	Evaluation	Assessment Criteria	Board	Board mix and composition, understand the Group's mission, succession planning and development, risk and internal control oversight, effectiveness and communication	Board Committees	Composition, effectiveness, support, contribution and communication	Individual Directors	Competency, contribution and performance, preparation for Board meetings and time commitment
Evaluation	Assessment Criteria									
Board	Board mix and composition, understand the Group's mission, succession planning and development, risk and internal control oversight, effectiveness and communication									
Board Committees	Composition, effectiveness, support, contribution and communication									
Individual Directors	Competency, contribution and performance, preparation for Board meetings and time commitment									

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

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has developed a Remuneration Policy on the remuneration of Directors and Key Senior Management under conditions of objectivity and transparency. The Board is aware that a fair remuneration is critical to attract, retain and motivate its Directors and Key Senior Management employees.</p> <p>The Remuneration Policy is periodically reviewed and is available on the Company's website at <a href="http://www.oskgroup.com/corporate-governance/">www.oskgroup.com/corporate-governance/</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC carries out an annual review of the Directors’ remuneration whereupon recommendations are submitted to the Board for approval. Such annual reviews shall ensure that the remuneration package of the Directors remains sufficiently attractive to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group to drive the Company’s long-term objectives.</p> <p>The TOR of the Committee which deals with its authority and duties are available on the Company’s website at <a href="http://www.oskgroup.com/corporate-governance/">www.oskgroup.com/corporate-governance/</a>.</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

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

### Practice 7.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The details of the Directors' remuneration for the financial year ended 31 December 2017 and the remuneration breakdown of individual Directors which includes fees, salaries and bonus, benefits in-kind and other emoluments are disclosed under Note 38 (b) of the Financial Statements in the 2017 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company had disclosed the top five Senior Management's remuneration component in bands of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.	
<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 commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Mr Foo San Kan, the Chairman of the Audit Committee (" <b>AC</b> ") of the Company is not the Chairman of the Board as the Board acknowledges that the AC, being an independent and objective body, should function as the Company's independent watchdog to ensure the integrity of financial controls, combined assurance and effective financial risk management.	
<b>Explanation for departure</b>	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In February 2018, the Board through the updating of the TOR of the AC requires that the appointment of a former key audit partner as a member of the AC shall observe a cooling-off period of at least two (2) years before being appointed as a member of AC.</p> <p>The updated TOR of the AC is available on the Company's website at <a href="http://www.oskgroup.com/corporate%20governance/">www.oskgroup.com/corporate governance/</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC has adopted the Policy and Guidelines on the Performance Evaluation of External Auditors.</p> <p>The AC conducted an annual assessment of the suitability and independence of the external auditors, Messrs. BDO, in respect of the financial year under review. The AC was satisfied with the performance and independence of the External Auditors as well as the fulfillment of criteria based on several factors, which includes independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with, as set out in the Policy and Guidelines on the Performance Evaluation of External Auditors which was approved by the Board on 28 February 2013.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC's effectiveness hinges on a number of critical factors, which includes knowledge, experience and commitment of the AC members, the AC's leadership, dynamics and chemistry, and their quality interaction with management and internal auditors and external auditors.</p> <p>The members of the AC collectively have the necessary skills related to financial, banking experience, commercial expertise and capital markets to meet their responsibilities and provide an effective level of challenge to management.</p> <p>The NRC has undertaken an annual assessment on the effectiveness of the AC. Following the annual review, the NRC agreed that the overall composition of the AC in terms of size, mix of skills, experience, core competencies and the balance between the AC members were appropriate, and collectively, the AC members are financially literate and able to understand matters under the purview of the AC which includes the financial reporting process.</p> <p>As stated in the "Continuing Education of Directors" section of CG Overview Statement in the 2017 Annual Report, all the AC members constantly received ongoing training and development to keep themselves abreast with the latest development and changes to regulatory requirements, and to ensure they are equipped with relevant knowledge and skills to discharge their duties more effectively. The training programmes, seminars and forums attended by AC members are as follows:</p>

	<p><b>Mr Foo San Kan</b></p> <ol style="list-style-type: none"> <li>1. OSK Group - KPMG Risk Management Training</li> <li>2. Focus Group Session on the Proposed Revision of the Corporate Governance Guide</li> <li>3. 2017 IAIS Annual Conference</li> <li>4. Companies Act 2016 and Malaysian Code on Corporate Governance 2017</li> <li>5. Key Disclosure Obligations of a Listed Company by Chee Kai Mun</li> </ol> <p><b>Dato' Abdul Majit bin Ahmad Khan</b></p> <ol style="list-style-type: none"> <li>1. OSK Group - KPMG Risk Management Training</li> </ol> <p><b>Dato' Thanarajasingam Subramaniam</b></p> <ol style="list-style-type: none"> <li>1. OSK Group - KPMG Risk Management Training</li> <li>2. The Ethical Challenge: Building the Culture of Professionalism and Integrity</li> <li>3. Global Business Insight Series - Innovation in the Financial Sector: Where the world will be, How to Get There</li> <li>4. Case Study Workshop for Independent Directors</li> <li>5. Companies Act 2016 and Malaysian Code on Corporate Governance 2017</li> </ol> <p><b>Ong Yee Ching</b></p> <ol style="list-style-type: none"> <li>1. OSK Group - KPMG Risk Management Training</li> <li>2. SID Directors' Conference 2017</li> <li>3. Non-Profit Directors Programme: (Module 3) Board Dynamics &amp; Evaluation</li> </ol>
<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**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	An Enterprise Risk Management Framework was established to provide the overall guideline and approach to the Group's risk management. The Group Risk Management department (" <b>GRM</b> ") is responsible to manage and monitor risk management. In providing assurance to the Board on the Group's adequacy and effectiveness of risk management, the GRM, under the purview of Group Management Risk Committee (" <b>GMRC</b> "), actively monitors the Group's portfolio of major risks via the Risk Control Self-Assessment approach. The quarterly risk reports from all Business Divisions are consolidated and updated to the GMRC and RMC, highlighting all risks and mitigating controls carried out by the respective Business Divisions. These were presented to the Board where internal controls and risk mitigation strategies were highlighted.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group established the Enterprise Risk Management Framework that sets the tone of the Group's approach to enterprise risk management practises. The following are the key features of the risk management framework:</p> <ul style="list-style-type: none"> <li>a) Assure - Provide assurance to the Board that a firm and sound risk management and internal control systems are in place and to meet any requirements of regulatory bodies;</li> <li>b) Guide - Provide guiding risk management principles to Heads of Business Divisions to govern the actions of risk identification and assessment;</li> <li>c) Monitor - To ensure the risk management processes are applied systematically across the Group to identify, assess, treat and manage risks that threaten resources or the achievement of the organisation's objectives; and</li> <li>d) Strategies - Provide Management with a summary of key risks that may affect the respective Business Divisions and to ensure these risks are adequately managed; and to report on the group risk exposures and mitigation plans.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b> :	Adopted
<b>Explanation on adoption of the practice</b> :	<p>The RMC comprises entirely Independent Non-Executive Directors and is chaired by an Independent Director. The Board meets and deliberates on the top risks identified through the RMC which is held quarterly. Critical risks are escalated to the Board immediately for deliberation. Significant issues arising from changes in business environment are reviewed continuously to ensure minimal impact to the Group.</p> <p>The GRM is accountable for effectiveness of the risk management framework and is independently distinguished from risk owners - the respective heads of operating subsidiaries being such persons with vital insights of respective businesses and able to actively influence the identified risks through decisions and actions.</p>

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC is established by the Board to provide independent oversight on the Company's internal and external audit functions, financial reporting, internal control systems and to ensure proper checks and balances within the Company.</p> <p>The internal audit function is assumed by the in-house Group Internal Audit Department ("<b>GIAD</b>") which is responsible for the overall internal audit activities of the Group. It functions independently of the activities it audits. The Head of the GIAD reports directly to the AC.</p> <p>The GIAD assists the AC in discharging its duties and responsibilities to provide reasonable assurance on the adequacy and effectiveness of the system of internal control by conducting independent, regular and systematic reviews of the internal processes in addressing the risks identified and that established policies and procedures, applicable laws and regulations are complied with.</p> <p>The Head of Internal Audit presented a risk based audit plan for the year in review to the AC for discussion and approval. The audit plan prioritised the audit review according to the Group's objectives, key risks and core/priority areas and also covered the review of the adequacy of operational and accounting controls, compliance with applicable laws and regulations, established policies and procedures as well as governance processes.</p> <p>On a quarterly basis, the GIAD submits audit reports and the status of the internal audit plan for review and approval by the AC. Included in the reports are recommendations for corrective measures on risks or internal control weaknesses identified, if any, for implementation by Management. Internal audit also conducts follow-up work to check that Management has taken actions to correct deficient conditions and improve control processes. The AC monitors and reviews the effectiveness of the internal audit activities thereby ensuring that these activities contribute to the ongoing effectiveness of the system of internal control.</p>

	<p>During the financial year ended 31 December 2017, the GIAD conducted audits of operations under the various business divisions, corporate functions and IT systems.</p> <p>Overall, the AC is satisfied that the internal audit function had been carried out effectively and independently.</p> <p>The above is also set out in the Audit Committee Report of the 2017 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

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

### Practice 10.2

The board should disclose.

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All internal auditors are independent from the activities they audit on and are free from any business relationships or conflict of interest situation when conducting audit activities. Additionally, each internal auditor had signed a statement on their employment that they will apply and uphold the principles as set forth in the Institute of Internal Auditors' Code of Ethics when providing internal audit services. The GIAD comprises 18 personnel based in Head Office. The Head of Internal Audit, Mr. Young Tat Yong is a Chartered Fellow of the Institute of Internal Auditors Malaysia and an associate member of the Chartered Institute of Management Accountants. The GIAD is governed by the Internal Audit Charter approved by the AC and is guided by the International Professional Practices Framework.</p> <p>The AC is also satisfied that the GIAD has the necessary competencies, experience and sufficient resources to carry out the function effectively.</p> <p>The above is also set out in the Audit Committee Report of the 2017 Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted the Corporate Disclosure Policy and Procedures, which is applicable to the Board and all employees of the Group, in handling and disclosing material information to the shareholders and the investing public. The Board has established a Group Corporate Disclosure Committee to oversee the implementation of and adherence to the Corporate Disclosure Policy and Procedures.</p> <p>The Board recognises that effective and timely communication of information related to the Company's business strategies, financial performance and business initiatives are essential in maintaining good relationship with investors. Other than the Company's website <a href="http://www.oskgroup.com">www.oskgroup.com</a> which provides comprehensive, accurate and timely corporate information to the general investing public, Mr. Woon Chong Boon has been identified to address enquiries from the shareholders, investors and the general public. The profile of Mr. Woon Chong Boon, who is the Chief Operating Officer/ Head of Corporate Strategy &amp; Planning, is set out in the Key Senior Management Profiles of the 2017 Annual Report.</p> <p>Mr. Foo San Kan has been identified by the Board as the Senior Independent Non-Executive Director of the Company to whom concerns of the shareholders and other stakeholders may be conveyed. The profile of Mr. Foo is set out in the Directors' Profiles of the 2017 Annual Report.</p> <p>The Board is committed to enhance and improve its investor relations initiatives in the coming years and to continue hosting dialogues with the shareholders, institutional investors and key stakeholders.</p> <p>In addition to the above, shareholders and investors can enquire about investor relations matters via the dedicated email address which is made available on the Company's website at <a href="http://www.oskgroup.com/overview/">www.oskgroup.com/overview/</a>.</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 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not a Large Company under MCGG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The 2017 Annual Report, which contains the Notice of AGM, together with the explanatory notes of the background information and reports or recommendations that are relevant to the proposed resolutions, as well as the Form of Proxy, is sent to shareholders at least 28 days prior to the date of the AGM, so as to give sufficient time for the shareholders to consider the resolutions that will be discussed and decided at the AGM, and to arrange for proxies to attend the AGM on their behalf, if so required.</p> <p>The Notice of AGM, which sets out the businesses to be transacted at the AGM, is also published in a major local newspaper.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All directors will attend General Meetings and will take any relevant questions addressed to them unless illness or another pressing commitments precludes them from attending General Meetings.</p> <p>During the year, all Directors attended the AGM and EGM, except two Directors, who were absent during the EGM due to their prior overseas commitment.</p> <p>Unlike the AGM which was scheduled at the beginning of the year, the EGM was scheduled in the middle of the year due to business commitment and compliance requirement.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company does not have meetings in remote locations. It is also currently not cost effective nor practical for the Company to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in general meetings.</p> <p>The location of the general meetings have always been held in the locations which are accessible by public transport. The upcoming 28th AGM will be held at the Grand Hibiscus Ballroom, Level 3, Swiss-Garden Hotel &amp; Residences Kuala Lumpur, 117, Jalan Pudu, 55100 Kuala Lumpur. It has been the same venue for general meetings since year 2016.</p> <p>In the event the shareholders are unable to attend the 28th AGM, the shareholders are allowed to appoint any person or the Chairman of the Meeting as their proxies to attend and vote in his stead at the Meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<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.*

Not Applicable.
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