



ANTI-CORRUPTION POLICY

1. TOP LEVEL COMMITMENT

The Board and the Risk and Sustainability Committee sets the tone from top down and is responsible in ensuring that the Group practices the highest level of integrity and ethics, complies fully with applicable laws on anti-corruption and effectively manages the key corruption risks of organisation.

The main duty of top level management is to provide assurance to all stakeholders that MIGB and the Group operates in compliance with its internal Anti-Corruption policies and the law, thereby, spearheads and supports the Group’s efforts to constantly improve the effectiveness of its;

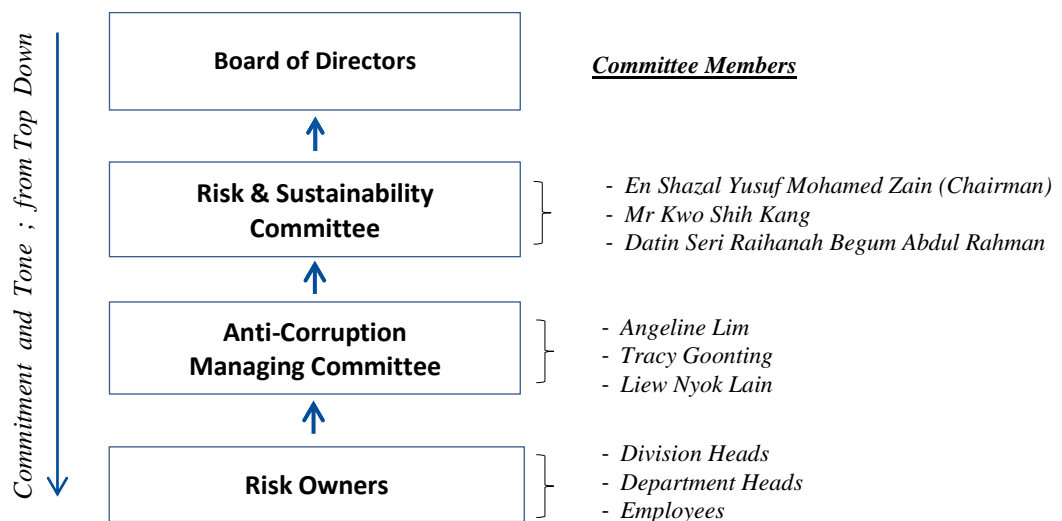
- corruption risks management framework
- internal control procedures
- review and monitoring system
- training and communication

One of the principles under the Malaysian Code of Corporate Governance relates to maintaining a sound system of internal control. Principle DII, Part 1 of the Code states; “The Board should maintain a sound system of internal control to safeguard shareholders’ investment and the company’s assets” and as such, assume the following responsibilities;

- Identify principal risks and ensure the implementation of systems to manage risks
- Review the adequacy and the integrity of the company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines

The diagram below establishes the current structure of the organisation, and helps illustrate the reporting structure of every employee in the fight to eradicate corruption.

Diagram 1: Reporting Structure





2. CORRUPTION RISKS

Every organisation is exposed to corruption risks. Corruption risks may exist at all levels of management, in all functions and activities, and potentially involve internal and external stakeholders.

The Board together with its Risk and Sustainability Committee is responsible in supervising and managing the Group's Anti-Corruption efforts. As such, the committee is responsible to conduct corruption risk assessments every 3 years, in fact sooner, if there is a change in the law.

The main element of Corruption Risk Assessment, is to establish appropriate processes, systems and controls to mitigate corruption risks that the organisation may be exposed to, in its day-to-day activities and communicate these processes to all employees, and business partners. Going forward, corruption risks shall be identified and incorporated into the general risk register of the organisation.

Corruption Risk Assessments; may include but are not limited to the following;

- study opportunities of **corruption and fraud** in the organisation's internal procedures
- search for financial transactions that may be disguised as payments
- question business activities in countries where corruption is known to be high
- ensure compliance of external parties and agents representing the organisation
- query relationships with third parties in the organisation's supply chain

2.01 Principles of Corruption Risk Assessment focus on the following areas of operations;

- Integrity & Reputation
- Strategic & Operations
- Financial & Legal
- Human Resources
- Customers

2.02 Risk Management (RM) ; RM is the process of planning, leading, organising, and controlling the activities of an organisation in order to minimise the effects of risk and corruption on an organisation. RM expands the process to include not just risks associated with accidental losses, but also financial, strategic, operational, and other risks.

Guiding Principles of RM focuses on the following;

- Protects Value
- Integral part of the Group's processes
- Part of decision making
- Addresses uncertainty
- Systematic, structure and timely
- Based on best available information
- Takes human and cultural factors into account
- Transparent and inclusive
- Dynamic, Interactive and responsive to change
- Facilitates continuous improvement

2.03 Risk Identification; risks are segregated into two main types

- Inherent risks
- Controllable risks



2.04 Risk Analysis; the three (3) steps processes in risk analysis are;

- Step 1 → Determine gross likelihood and impact of consequences
- Step 2 → Determine existing controls and their effectiveness
- Step 3 → Determine residual likelihood and impact of consequences

2.05 Risk Evaluation; risk evaluation is the rating of a risk based on the probability of the risk occurring and the severity impact of that risk. Once risks have been identified, an analysis of possible impact and probability of occurrence will be made using parameters that will enable the development of a corporate risk profile

To this extent, Key Risk Indicators (KRIs) are developed by Risk Owners (i.e. Division and Department Heads) for risk monitoring purposes as they are fundamental and objective measures of key risk across the organization.

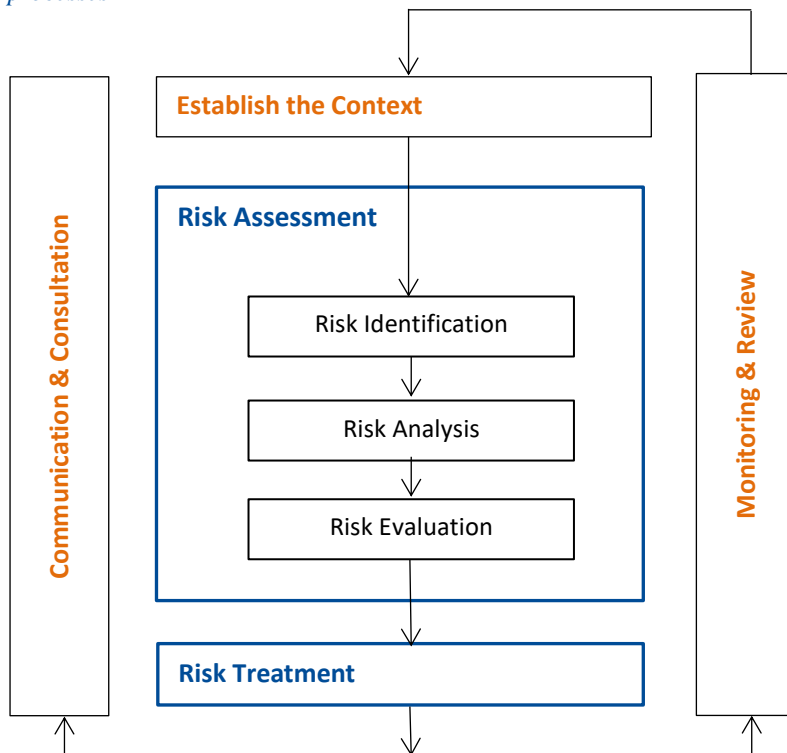
KRIs should be properly defined and include the relevant thresholds. The KRIs will eventually form part of the Risk Owners’ performance assessment and where possible, such performance assessment be cascaded down to other key employees.

2.06 Risk Treatment; Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment/management actions plans and implementing them.

It can be of the following options:

- Avoid – not to proceed with an activity if risk associated is too high
- Reduce – implementing or upgrading preventive & detective internal controls
- Transfer – risk is accepted but function is to be outsourced
- Retain or Accept – risk is accepted but controls are required to minimise risk
- Exploit – identifying opportunities available to enhance value

Diagram 2: RM processes





3. BASE POLICIES – CONTROL, PREVENTION & DETECTION MEASURES

3.01 Anti-Corruption Policy Statement

Melewar Industrial Group Berhad and its subsidiaries are fully committed to eradicating corruption. The company maintains a strict, zero tolerance position against corruption, bribery or any kind of abuse of power. We expect our directors, senior officers, employees and business partners to operate in full compliance with the company's Anti-Corruption policy, with the highest standard of ethical conduct, integrity and professionalism. No member of the group should ever assume that the company's interest takes precedence over this belief.

3.02 Code of Conduct and Ethics

The Group's Code of Conduct and Ethics is a set of prescribed values and principles by which the Group is committed to. It is designed to provide a frame of reference against which to measure all activities. All of us play an important role in establishing, maintaining and enhancing the reputation and brand of the Group.

It is obligatory that all directors, senior officers and employees display the highest level of character, ethics and professionalism in all aspects of their work, and in doing so, act in the best interest of the Group, guided by the following positive attributes and principles;

- Honour & Selflessness
- Integrity & Honesty
- Objectivity & Reliability
- Morality & Fair Dealing
- Discretion & Confidentiality
- Respect & Decency

The full version of the organisation's Code of Conduct and Ethics is available in the Company's website.

Upon employment, employees are issued with the organisation's Code of Conduct and Ethics. Employees are required to read and sign an **Employee Personal Affirmation Form** (Appendix 2); not only to confirm his understanding of this Code of Conduct and Ethics, but also, his full observation of the various other policies practised in the Group.

3.03 Conflict of Interest

A Conflict of Interest arises when an employee has a personal interest sufficient to appear to influence the objective exercise of his official duties; some of which may be, but not limited to;

- Self-interest dealings with business partners, agents, suppliers and customers
- Un-authorized commissions from sale of products or services offered by the Group
- Awarding contracts to family members, relatives or personal friends
- Involved in part-time employment outside of his work hours without approval
- Any employee (other than a board member), holding the position as company director (except unless for a non-profit, public service, social welfare or charitable organisation)

None of the above is regarded as allowable or acceptable conduct.

Directors, senior officers and employees are expected to avoid any actual or apparent conflict between their personal interest and that of the organisation.



Employees are reminded to complete a **Conflict of Interest Disclosure Form** (Appendix 3) should they ever feel that in carrying out their duties and responsibilities, they may be exposed to such conflicts.

3.04 Gifts

MIGB and the Group sanction a “No Gift” policy to the receiving/giving of gifts from/to any business partners or third party who has any direct or indirect official relationship with the Group.

However, the Group recognise that the gesture of receiving or giving small inexpensive mementos for officiating events or delivering a public talk is a form of sincere appreciation; therefore, inexpensive items such as plaques, pennants, handicraft or printed materials are allowed. Under no circumstance, should the acceptance or giving of any gift compromise the values, position and image of the Group. There must not be any expectation of special favours or improper advantages from the accepting or giving of gifts.

To protect the organisation from any criminal liability, the receiving or the giving of gifts irrespective of its value, must be approved by the Anti-Corruption Managing Committee.

In the case where a gift is accepted, irrespective of its value, employees are required to report and record the item in the **Gifts & Benefits Declaration Form** (Appendix 4) and surrender the item to his Department Head awaiting one of the following decisions from the Anti-Corruption Managing Committee;

- Return the gift to its giver
- Permit the employee to keep the gift
- Contribute the gift to the organisation’s annual dinner
- Donate the gift to a charitable organisation

Excerpts from MACC’s website outline the following guidelines;

What is the definition of a Gift?

According to the Service Circular No. 3 of 1998 (SC 3/1998), a gift comprises of cash money, free fares, shares, lottery tickets, travelling facilities, entertainment expenses, services, club membership, any form of commission, hampers, jewellery, decorative items and any item of high value that is given to a public official. (Refer to Para 4 - SC 3/1998).

Is the giving of a hamper of small value perceived as a gift?

Accepting or giving of gifts of any amount or value amounts to a corruption offence in the situation that an individual receives or gives such gifts from a supplier that the individual has an official dealing. (Refer Para 12 - SC 3/1998). Note: Individuals include civil servants, private sector employees as well as the general public.

Can a civil servant receive gifts during festive seasons?

Public officials are prohibited from accepting any gift in any form such as hampers, Mandarin oranges, Ang Pow packets and other forms of gifts from any person that is associated with the official duties of the officer. (Refer to Para 5 - SC 3/1998).

Can a civil servant receive gifts in an unofficial capacity?

Yes. Civil servants are allowed to receive gifts provided the value of the item is $\frac{1}{4}$ of the emoluments or less than RM500. In the case that the item is valued more than the allowable value, the officer is required to report the item to the Head of Department for approval by filling the Appendix A Form SC 3/98.



However, there are exceptions for gifts exceeding RM500 under certain circumstances such as gifts received from friends due to retirement, transfer, engagement and marriage. (Refer to Para 7 - SC 3/1998). Should there be any doubt on the receipt of such gifts, the official can report it to the Head of Department for further action and clarification. (Refer to Para 8 - SC 3/1998).

Directors, senior officials and employees are advised to read the full version of the above guidelines on gifts available on MACC's website as follows; <https://www.sprm.gov.my/en/gift-enquiry>

3.05 Entertainment

Hosting and accepting a meal is allowed, but in no way must the meal be that of an extravagant affair and in no way must the meal be an enticement for favours.

The intent matters; and lavish, extravagant meals, entertainment such as karaoke sessions, concert tickets, travel tickets, hospitality vouchers, etc. are considered as bribes.

Managers whose jobs come with entertainment allowances and therefore, entertain business partners and associates on a regular basis are advised to exercise strong moral judgement in this area and be mindful of the stipulations allowed by the MACC in accepting invitations or hosting.

3.06 CSR, Donations & Corporate Sponsorships

Donations to charitable foundations and corporate sponsorships to private companies are allowed with the approval of the Executive Chairman.

Donations and sponsorships of this nature must be within the law to ensure there is no corrupt or criminal intent involved and irrespective of the amount, all donations and sponsorships must be recorded in the organisation's accounting books for transparency.

3.07 Political Donations

The Group's policy is to abstain from making any donations to political candidates and political parties.

In rare instances, where the law permits, written approval must be obtained from the Board of Directors for these kinds of donations. Employees making any such donations without the approval of the Board, are deemed to be acting in their own personal capacity and not on behalf of MIGB or the Group.

3.08 Facilitation Payments

Facilitation payment is a payment made to an official to facilitate approval of some type of business transaction or activity. In some countries, this is disguised as unofficial fees rather than bribes, but most countries do not subscribe to this distinction.

As an employee of the Group, any type of facilitation payment or commissions is strictly prohibited. Employees are forbidden from proposing, offering or receiving anything of this nature. Employees are further advised, any payment received in cash or kind from any unknown person(s) must be reported to the Anti-Corruption Managing Committee.

3.09 Business Partners & Third Party Agencies

Under various business agreements or joint ventures, a company or an individual may be eligible for payment acting on behalf of the Group; such as, an agent, an intermediary, contractor or consultant.



Such business relations must be clearly spelt out in an official, legally bound Contract for Service and subjected to terms and conditions, legal stamping, procedures and deliverables required of the parties involved.

All business associates, in doing or planning to enter into business transactions with the Group will be made aware of the Anti-Corruption policy practised by MIGB and its subsidiaries through a **Third Party Declaration Form** (Appendix 5).

3.10 Approvals, Permits, Licenses & Inspections

No employee is to make any payment or give any advantage to government officials beyond what is required by law to obtain a permit, license or any other necessary approval. Instead, employees are advised to solve these challenges pro-actively by allocating sufficient time to obtain such approvals. Seek advice from your Anti-Corruption Managing Committee on your next course of action.

Similarly, no employee is to make payments or give any advantage to government officials in order to avoid any inspection, influence any report or to avoid any fine. Employees are advised to look out for local officials who just happen to appear without any reason or justification at the work place for impulsive inspections, requesting a 'fee' for a 'perfect' report.

3.11 Procurement

The Group practises and adheres to a series of strict Internal Control Procedures (ICP) on supplier selection. Depending on the amount of the business outlay, different variations of quotes are required from different suppliers, vendors and companies for a transparent, final decision.

3.12 Recruitment

Group HR must ensure that no Conflict of Interest exists in the hiring of any candidate. The recruitment of directors, senior officials and employees for the Group will be fair, non-discriminatory and impartial.

Due diligence and pre-employment background checks (e.g. former employer check, credential checks, medical, CTOS or CCRIS, etc.) must be conducted before employment starts. A more detailed and comprehensive background check (e.g. police vetting) must be conducted for senior management positions, especially those tasked with decision making obligations, those dealing with government officials and in finance.

During an interview, Group HR or person(s) involved in hiring must look out for red flags, occurrences such as;

- Inability of the candidate to open a bank account for salary crediting
- Candidate's request for unusual method of payment for wages
- Any strange reluctance to provide full personal and family information in forms
- Signs of unwillingness and reluctance to sign a Contract

The hiring of such individuals is prohibited.

3.13 Red Flags

Detection and Prevention is paramount to eradicating corruption. To assist employees in the recognition of corrupt behaviour, the following may be considered as red flags;



- Abuse in decision making process
- Payments to off-shore accounts
- Invoices in excess of contractual or agreed amount
- Use of agent with poor reputation and with links to a foreign government
- Unusual bonuses paid out to with little or no supporting documentation
- Payments without the official paperwork and non-compliance with internal ICPs
- Unexplained preferences to certain business associates, suppliers and contractors
- Large payment and commissions where an agent does not seem to be providing any service

Employees are advised to be sensitive and alert to other indicators and report any suspicious behaviour to the Anti-Corruption Managing Committee for further investigation.

3.14 Whistleblowing & Reporting of Corruption

The Group have always had, and practised a whistle-blowing policy that provides whistle blowers an avenue for the reporting of malpractices, abuses and mismanagement. This full policy is available on MIGB's website.

Employees must at all times, comply with the Group's Anti-Corruption policy and report any suspected acts of corruption to the organisation's Anti-Corruption Managing Committee or Risk and Sustainability Committee or who will treat all complaints, confidential and private.

The Risk and Sustainability Committee is the primary investigator that will conduct an immediate initial investigation to determine if the report is genuine, document initial findings and report these findings to the main board for the organisation's next course of action and onward reporting to MACC, as required by law.

The Board and the Risk and Sustainability Committee guarantees, that no whistle blower will be discriminated against, suffer any consequences or experience retaliation if he is to raise genuine concerns in good faith, for the good of the organisation.

However, making false claims against a colleague based on unfounded information and hearsay is a very serious matter and action will be taken against him for malicious false allegation and abuse of the whistle blowing policy itself.

- To make a report concerning Mid-level Management & Below;
Reporting Channel: Anti-Corruption Managing Committee
Email: acmc@melewar-mig.com
- To make a report concerning Senior Management & Above;
Reporting Channel: Risk and Sustainability Committee
Email: rsc@melewar-mig.com
- To make a report directly with the MACC, the contact details are;
By telephone: 03 8870 0688 / 0689 / 0691
By text: 019 600 0696
Toll free: 1-800-88-6000
Email: info@sprm.gov.my

3.15 Record Keeping

Proper Documentation and record keeping is vital to the organisation, especially during an audit. Apart from the forms used in the organisation's day-to-day operations, the following declaration forms in line with this policy will be distributed and acknowledged by all employees for compliance purposes;



- Commitment Pledge
- Understanding the Code of Conduct & Ethics
- Conflict of Interest Disclosure Form
- Gift Declaration Form

External business associates, third party agencies, agents, suppliers etc. will also be made to sign to declare his understanding of the Group Anti-Corruption policy.

3.16 Financial Controls

All of HR and Finance ICPs are circulated via email for employee's reference and observance. The following ICPs, under the jurisdiction of Group HR and Group Finance are constantly reviewed and enforced within the organisation;

Standard Group ICPs

- ICP 1: Internal Control Programme
- ICP 2: Petty Cash Procedure
- ICP 3: Staff Transport Allowance (HR)
- ICP 4: Organization's Motor Vehicle (HR)
- ICP 5: Outstation & Overseas Travel (HR)
- ICP 6: Staff Expense Reimbursement (HR)
- ICP 7: Employee Advance Control Procedure
- ICP 8: Capital Asset Acquisition Procedure
- ICP 9: Capital Asset Disposal Procedure
- ICP 10: Investment
- ICP 16: Whistle-Blowing Policy
- ICP 17: Intercompany Transactions/Loans/Advances
- ICP 18: FX Risk Management
- ICP 19: Manual Journal Transaction Procedure
- ICP 21: Miscellaneous Payment Procedure

Specific Business Unit ICPs

- ICP 11: Credit Control Procedure
- ICP 12: Procurement Procedure / Raw Material Purchase & Sub-Contractor Procedure
- ICP 13: Sub-Raw Materials, Tooling, Hardware, Consumable, Equipment, Fuel, Lubricants, General Procurement and Miscellaneous items Purchase Procedure
- ICP 14: Sales Procedure
- ICP 15: Internal Security Procedure
- ICP 22: Tendering Procedure
- ICP 23: Tendering Evaluation Procedure
- ICP 24: Project Reporting Procedure
- ICP 25: Inbound Job Contracts

Employees are reminded to read these ICPs from time to time to ensure compliance throughout their employment with the Group.

Internal Audit on various departments and Interim & Quarterly financial reporting are also conducted to ensure the organisation comply with the laws and regulation of the country.

3.17 Non-Financial Controls

Every department will operate with a set of guidelines involving their area of responsibilities.



As such, each and every department must have the following three (3) articles carefully drafted, approved by management and prominently displayed;

- Standard Operating Procedure (SOP) manual
- Policy manual
- Standing Instruction Manual

4. SYSTEMATIC REVIEW, MONITORING AND ENFORCEMENT

4.01 Review of Policy

The Board with the assistance of the Risk and Sustainability Committee will review this policy on a yearly basis to assess the effectiveness of the policy in the organisation's overall Anti-Corruption efforts.

4.02 Monitoring of Policy

The Anti-Corruption Managing Committee will monitor and enforce this policy with the assistance of all Division and Department Heads.

4.03 Enforcement of Policy

The Board with the assistance of Group HR will conduct disciplinary proceedings against employees who fail to comply or found to be non-compliant with this policy or any other policy issued by the organisation.

4.04 Compliance with the Policy

As employees of MIGB and the Group, you are bound to the policies, procedures, rules and regulations of the organisation. Severe consequences will arise from failure to adhere or comply with any of the organisation's policies.

4.05 Non Compliance

Violation of the organisation's Anti-Corruption policy constitutes a criminal offence, and the organisation is duty bound to report the matter to the authorities.

5. TRAINING AND COMMUNICATION

The Anti-Corruption Managing Committee with the assistance of Group HR will ensure that all existing and new employees training will be conducted as follows;

- New Recruits: Training will be part of the induction program
- Existing Employees: Refresher training conducted once 1 year
- Department Heads: Refresher training every 2 years

Group HR is also responsible to ensure all other relevant policies that should be read along with the Anti-Corruption policy will be available for employee's reference in the HR BOSS i-NET portal and in every department, with cooperation from Department Heads.



6. APPENDICES – DECLARATION FORMS

- Appendix 1 : Personal Commitment & Anti-Corruption Pledge
- Appendix 2 : Employee Personal Affirmation Form
- Appendix 3 : Conflict of Interest Disclosure Form
- Appendix 4 : Gift & Benefits Declaration Form
- Appendix 5 : Third Party Declaration Form

(End of Policy)