

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3778  
**COMPANY NAME** : MELEWAR INDUSTRIAL GROUP BERHAD  
**FINANCIAL YEAR** : 30 JUNE 2018

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors of the Company ("Board") is collectively responsible for the long term success of the Company and the delivery of sustainable value to its stakeholders.</p> <p>In discharging its fiduciary duties and leadership functions, it is imperative for the Board to govern and set the strategic direction of the Company while exercising oversight on Management. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.</p> <p>The Board monitors the performance of Management through the quarterly operational reports and offer guidance and advice on the necessary steps to be taken, where and if required, to protect and ultimately enhance the Company's operational performance with a view to achieve financial stability and to be able to meet its debts and other obligations when they fall due.</p> <p>In the normal course of events, day to day management of the Company will be in the hands of Management and under the stewardship of the Managing Director.</p> <p>Please refer to the Company's Corporate Governance Overview Statement in the Annual Report for the full information on the above.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.2

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>MIG's Board Charter sets out the roles and responsibilities of the Executive Chairman.</p> <p>The roles and responsibilities of the Executive Chairman are as follows:</p> <ul style="list-style-type: none"> <li>• Provide leadership for the Board so that the Board can perform its responsibilities effectively;</li> <li>• Setting the board agenda and ensuring that board members receive complete, accurate and timely information in a timely manner;</li> <li>• Ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;</li> <li>• To chair shareholders meetings and lead board meetings and discussions;</li> <li>• To act as the Company's ambassador, both within domestic market and internationally;</li> <li>• To facilitate and encourage active participation and effective contribution of non-executive directors as well as allow dissenting views to be freely expressed;</li> <li>• To manage the interface between Board and Management;</li> <li>• To act as a liaison between the Company and Government Officials, embassy and foreign investors;</li> <li>• To be the main spokesperson for the Company;</li> <li>• Leading the Board in establishing and monitoring good corporate governance practices in the Company; and</li> <li>• To be in charge of branding and corporate imaging of the Company.</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

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 roles of the Executive Chairman and the Managing Director are distinct and separate, each has a clearly accepted division of responsibilities as set out in the Company's Board Charter.</p> <p>The Board is led by the Executive Chairman, Tunku Dato' Yaacob Khyra and En Azlan bin Abdullah as the Managing Director is in charge of running the business and implementing the policies and strategies adopted by the Board.</p> <p>On 11 August 2018, En Azlan bin Abdullah's position was redesignated from Managing Director/Group Chief Executive Officer to Managing Director of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

#### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is a member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and is therefore qualified and licensed to hold the position as Company Secretary of the Company pursuant to Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.</p> <p>The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board.</p> <p>The Company Secretary is appointed and dismissed by the Board and all Directors have separate and independent access to the Company Secretary.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its duties.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Generally, the Board papers are circulated to all Board members five (5) working days before the board meeting save for important or urgent matters that require the immediate attention of the Board.  The Company places importance for the Board to receive information within a reasonable time in order to prepare adequately for the Board Meeting.	
<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 Company's corporate governance policy is contained in the Board Charter, which is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of Management in setting the direction, management and the control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles.</p> <p>The Board Charter clearly sets out the relevant matters reserved for the Board's approval as well as those that are delegated to the Board Committees and the Managing Director.</p> <p>The Board Committees are authorised by the Board to undertake the duties and responsibilities in accordance with their respective Terms of Reference. The Chairman of the respective Board Committees reports its recommendation to the Board on matters deliberated in the Board Committee meetings.</p> <p>The Board Charter was last revised in May 2018 and published on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The 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>	:	The Company has in place the "Code of Conduct and Ethics" which is formulated to enhance corporate governance and the standards of professional and ethical practices of Directors within the Group.  This document is available on the Company's website at <a href="http://www.melewar-mig.com">www.melewar-mig.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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>	:	The Company's Whistle-Blowing Policy is encapsulated in ICP 16 and details the channels for anonymous reporting to be made on suspected fraud, misconduct and/or wrongdoings against employees, Managing Director or any directors or the Chairman of the Company whilst ensuring the integrity of the process and information and also the rights of informants.  The Whistle-Blowing Policy is published on the Company's website.
<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 4.1

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

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>Currently the Board comprises of seven (7) members whereby four (4) are Independent Non-Executive Directors.</p> <p>Dedicated Board Committees were also established and are chaired by Independent Non-Executive Directors. The four (4) Board Committees established by the Board namely :</p> <ul style="list-style-type: none"> <li>• Audit and Governance Committee* ;</li> <li>• Risk and Sustainability Committee** ;</li> <li>• Nomination and Remuneration Committee; and</li> <li>• Executive Committee***</li> </ul> <p>* The Board had at its meeting on 28 August 2018 agreed to change the name of the Audit Committee to Audit and Governance Committee.</p> <p>** The Board had at its meeting on 30 May 2018 agreed to change the name of the Risk Management Committee to Risk and Sustainability Management Committee and subsequently at the 28 August 2018 after further review, the name of the Committee was again changed to Risk and Sustainability Committee.</p> <p>*** The Board had at its meeting on 28 August 2018 agreed that the Executive Committee will no longer be regarded as a Committee of the Board; however, it will continue to discuss, review, and access issues within its purview as stipulated in its Terms of Reference and table, where necessary, matters reserved for the Board, at the Board Meetings for further deliberation.</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 4.2

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>	:	<p>One of the Independent Non-Executive Directors of the Company, En Shazal Yusuf bin Mohamed Zain would be attaining a tenure of nine (9) years by 30 May 2019. As the next Annual General Meeting ("AGM") of the Company will only be held after that date in 2019, the Nomination and Remuneration Committee ("NRC") was requested to assess and evaluate the position of En Shazal during this current financial year.</p> <p>The NRC had assessed, reviewed and agreed that En Shazal has remained objective and continued to be independent and unbiased in expressing his view and in participating in deliberations.</p> <p>The Board is satisfied through the assessment and evaluation by the NRC and agreed to recommend him to be re-elected and continue to act as Independent Non-Executive Director of the Company.</p> <p>The Board will seek annual shareholders' approval for his retention as independent director at the forthcoming AGM to be held on 29 November 2018.</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 4.3 - 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>The Board, with the recommendation of the Audit and Governance Committee and Nomination and Remuneration Committee has duly noted and supported the enhanced standard and requirements under the MCCG 2017 in relation to appointment of board and senior management.</p> <p>The Board had in May 2018 approved the revision to the Procedure for the Appointment and Removal of Directors and the Review of the Effectiveness of the Board and Individual Directors to be aligned with the enhanced requirements under the MCCG 2017.</p> <p>The said policy includes assessing the suitability of an individual and proposing candidate for appointment to the Board, taking into account:-</p> <ul style="list-style-type: none"> <li>• skills, knowledge, expertise and experience of the candidate;</li> <li>• education qualification and/or working experience of the candidate;</li> <li>• age, ethnicity, cultural background and gender of the candidate;</li> <li>• the number of directorships already held by the candidate;</li> <li>• the candidate's other commitments and resources and time available for input to the Board;</li> <li>• relationship of the candidate with any director or major shareholder of the Company.</li> <li>• diversity of the Board composition, including the gender diversity target.</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

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company sees the participation of women as being fundamental to the achievement of equal opportunity in the workplace and has reviewed and continues to implement its Policy on Diversity. The relatively large number of female employees in the Group is proof that the gender diversity approach has long been in practice in the Group.</p> <p>The Board is of the view that while it is important to promote diversity, the normal selection criteria of a director, based on the effective blend of competencies, skills, experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on capabilities, experience and qualification.</p> <p>The Board will work towards having woman directors with diverse academic background and experience on board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Selection of candidates for appointment of new Directors may be recommended by Directors, Management and shareholders. The Board is also open and may seek external independent sources to identify suitably qualified candidates.</p> <p>The Nomination and Remuneration Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the director should bring to the Board.</p> <p>For 2017/2018 there were no candidates nominated for appointment to the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Nomination and Remuneration Committee ("NRC") is General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd), an Independent Non-Executive Director who is also the Senior Independent Director.</p> <p>The terms of reference of the NRC also sets out that the Chairman of the NRC is to be an Independent Non-Executive Director.</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 form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board, with the recommendation of the Nomination and Remuneration Committee (“NRC”) has duly noted and supported the enhanced standard and requirements under the MCCG 2017 in relation to the annual evaluation. The Board had in May 2018 adopted the enhancement to the criteria and processes of the annual evaluation to be in line with the MCCG 2017.</p> <p>The NRC had reviewed, assessed and evaluated the performance of the Board, the Board Committees and individual directors through various assessment/process including self-assessment and/or peer assessment as well as board skills matrix of each Director based on their core competencies.</p> <p>The NRC found that the Executive Directors have the adequate knowledge, skills and commercial experience in running and managing the Company whilst the Independent Directors with their knowledge, skills and experience from both related and other business fields were able to provide the necessary oversight duties and the development of the Company’s strategy.</p> <p>Based on the overall evaluation conducted on the Board, Board Committees and Individual Directors, the NRC was satisfied with the overall performance of the Board, Board Committees and Individual Directors.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 6.1

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, with the recommendation of the Nomination and Remuneration Committee ("NRC") has duly noted and supported the enhanced standard and requirements under the MCCG 2017 in relation to remuneration of directors and senior management.</p> <p>In May 2018, the Board had approved the Procedure for Determining the Remuneration of Directors, Group Managing Director/Group Chief Executive Officer and Key Senior Officers to be in line with the MCCG 2017.</p> <p>The NRC in discharging its responsibilities in recommending the remuneration packages for the Directors, Managing Director and key senior officers of the Company takes into account the following:</p> <ul style="list-style-type: none"> <li>• reflect the skills, experience and level of responsibility borne by individual directors, Managing Director and key senior officers;</li> <li>• sufficient to attract and retain directors, Managing Director and key senior officers of calibre needed to manage the Company successfully;</li> <li>• demands, complexities and performance of the Company; and</li> <li>• balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages.</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

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 Nomination and Remuneration Committee ("NRC") functions on a Terms of Reference ("TOR") approved by the Board. The Board had in May 2018, approved the revised TOR to be in line with the MCCG 2017.</p> <p>The main duties and responsibilities of the NRC set out in the TOR are to assist the Board in succession planning and appointment of board members as well as annual evaluation of the performance of the Board, Board Committees and individual directors, and developing and administering the appropriate remuneration policies applicable to Directors, Managing Director and key senior officers.</p> <p>The Terms of Reference of the NRC is published on the Company's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 7.1

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>	:	Detailed disclosure of the remuneration of each director is disclosed in the Corporate Governance Overview Statement in the 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 is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company adopts a remuneration policy that link rewards to corporate and individual performance as well as the market norm.</p> <p>The Board is of the opinion that it is not to the Company's best interest to disclose on a named basis its senior management's remuneration. As disclosure of specific remuneration information could give rise to recruitment and talent retention issues.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Board and Audit and Governance Committee is held by different individuals. The Board is led by the Executive Chairman, Tunku Dato' Yaacob Khyra whilst the Audit and Governance Committee is led by Mr Muk Sai Tat, who is an Independent Non-Executive 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

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>	:	The Terms of Reference of the Audit and Governance Committee has been revised to include the said requirement of the 2 years' cooling off period. None of the members of the Audit and Governance Committee is a former key audit partner.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Governance Committee ("AGC") assesses and monitors the performance and independence of the External Auditors which is set out as one of the roles and responsibilities of the AGC in its Terms of Reference.</p> <p>The AGC has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement.</p> <p>Based on the assessment conducted by the AGC, the Board is satisfied that the quality of service, adequacy of resources provided, communication, independence and professionalism were demonstrated by the External Auditors in carrying out their function.</p> <p>Pursuant to this, the Board is recommending to the shareholders for the re-appointment of the External Auditors during the Annual General Meeting.</p> <p>In compliance with the By-Laws (On Professional Ethics, Conduct and Practice) of Malaysian Institute of Accountants which requires the key audit partner responsible for the Group's audit to rotate at least every five (5) years, the AGC at its meeting held on 30 May 2018 was informed that Mr Gary Lee was due for rotation as the Group's lead audit partner effective from the audit for the financial year 2018. The new audit partner, Mr Manjit Singh attended his first meeting with the AGC on 30 May 2018 to brief the AGC on the audit plan for the financial year ended 30 June 2018.</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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	Currently the Audit and Governance Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors.

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Governance Committee ("AGC") members possess a wide range of skills to discharge their duties and their profiles are set out in the Annual Report. The Chairman of AGC, namely Mr Muk Sai Tat is a member of the Malaysian Institute of Accountants.</p> <p>All the AGC members have attended the necessary trainings to discharge their duties satisfactorily as well to keep themselves updated on recent developments of the laws and practices.</p> <p>As part of the application of Practice 8.5 of the MCCG 2017 where members of the AGC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practises and rules, the External Auditors had presented an overview on the key changes to the MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments at the recent AGC Meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company has an established risk management and internal control framework. The Board through the Risk and Sustainability Committee and the Audit and Governance Committee, continually reviews the adequacy and effectiveness of the framework.</p> <p>Further details on the framework can be found in the Statement on Risk Management and Internal Control in the 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

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>	:	The Board has disclosed the features of its risk management and internal control framework, and the adequacy and effectiveness of the framework in the Statement on Risk Management and Internal Control in the 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

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>	:	Applied
<b>Explanation on adoption of the practice</b>	:	Currently, the Risk and Sustainability Committee comprises of four (4) members, all members are independent non-executive directors.  The Board had at its meeting on 30 May 2018 agreed to change the name of the Committee to Risk and Sustainability Management Committee and subsequently at the 28 August 2018 after further review, the name of the Committee was again changed to Risk and Sustainability Committee.

## 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 Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) as part of the effort to ensure that the Group's system of internal controls is adequate and effective.</p> <p>The internal audit function assists the Board and the Audit and Governance Committee ("AGC") in providing independent assessment of the effectiveness and adequacy of the Group's system of internal controls. The internal auditors reports directly to the AGC.</p> <p>The AGC on an annual basis assess the performance of the level of services provided to the Company by the internal audit service provider.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to an independent consulting firm, Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) (“Deloitte”). The team from Deloitte is led by the Executive Director, Mr Anthony Tai, who has over 18 years’ experience in the field. He is a Chartered Accountant, Certified Information Systems Security Professional (CISSP), Certified Information System Auditor (CISA), Certified Practicing Account and ISO/IEC 27001:2005 Provisional Auditor.</p> <p>The Deloitte internal audit function consists of over 75 professional internal auditors. None of the internal auditors has any relationship or conflict of interest with the Company.</p> <p>The internal audits were conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.</p> <p>The internal auditor reports directly to the Audit and Governance Committee.</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 Annual General Meeting ("AGM") is a good opportunity for proactive engagement and communication between the Board, shareholders and investors. Shareholders who are unable to attend are entitled to appoint a proxy to attend, speak and vote on their behalf.</p> <p>The MIG Group website <a href="http://www.melewar-mig.com">www.melewar-mig.com</a> contains corporate information of the Company, including references to and notices about the AGM, periodic financial statements, Board Charter, Code of Conduct and Ethics, Procedures for Determining the Remuneration of Directors, Group Managing Director/Group Chief Executive Officer and Key Senior Officers and Terms of Reference of the Board Committees.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as MIG is not considered a Large Company.	
<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>	:	The Board has endorsed the adoption of MCCG 2017 requirement for notice of Annual General Meeting to be given to its shareholders at least 28 days prior to the meeting.	
<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>	:	The Board is aware of the importance of meaningful communication with its shareholders. It is the Board's expectation for all its directors to attend the Annual General Meeting, and the Board will use its best endeavours to provide meaningful response to questions addressed to them.
<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>	:	Applied
<b>Explanation on application of the practice</b>	:	MIG's General Meetings are always held in Kuala Lumpur and not in remote locations. Majority of MIG's shareholders are mostly located in Kuala Lumpur and Selangor.
<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>	:	