

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 1619  
**COMPANY NAME** : DRB-HICOM BERHAD  
**FINANCIAL YEAR** : March 31, 2018

### **OUTLINE:**

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

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

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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 Charter (which is available on DRB-HICOM's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>) tabulated the following six (6) specific responsibilities which facilitate the discharge of the Board's responsibilities in the best interest of the Company:-</p> <p>i. <u>Adopting and reviewing the strategic plan for the Company</u></p> <p>The Board has the overall responsibility in leading and determining the Group's overall strategic plan and direction as well as development and control of the Group without neglecting the shareholders' interest. The strategic plan of the Group includes oversight on risks, strategies, marketing and financial aspects of the business.</p> <p>The Board approves and adopts the Group's Annual Management Plan ("AMP") inclusive of the overall strategic direction on a yearly basis and for the ensuing year. The Group adopted a structured approach in the preparation of the AMP for the companies in the Group with guidance and consultation from the Corporate Office. The AMPs prepared</p>

by the operating companies were reviewed and challenged by the representatives from the Corporate Office during the Challenge meetings before the AMPs were finalised and presented to the Boards of the respective Group companies and thereafter to the Board of the Company for consideration and approval.

The Board reviewed and approved the corporate key performance indicators (“KPIs”) used to track the Groups’ performance against the targets. These would ensure the financial performance and the businesses of the Group are properly managed and the shareholders’ values are safeguarded.

In addition, the Board reviews the Company’s funding requirements and treasury matters on a continuous basis including the approval of financial arrangements.

ii. Overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed and sustained

The Board provides entrepreneurial leadership and specifies the parameters within which Management decisions are to be made. High integrity practice is adopted by all the Board members to avoid improper use of information, conflict of interest, secret profit, contract with the Company and any other corrupt activities.

In discharging its responsibilities, the Board has established the appropriate internal control systems to support, promote and ensure compliance with the laws and regulations governing the Company. This includes taking into account the Company’s continuing viability as an enterprise, its financial position, its cognisance of risks and mitigating factors as well as values which embrace ethical conduct and

creation of sustainable value.

The Board retains full and effective control of the Group by reviewing the Management's performance against the AMP periodically and ensuring that the necessary financial and human resources are available to meet the Group's objectives.

To ensure an optimum structure for efficient and effective decision-making, the Boards of the Group, approved a framework on Limits of Authority ("LOA") to reflect the flows of authority and functions of the respective key Management personnel. The LOA defines the types and limits of authority designated to specified positions of responsibility. It also specifies a formal schedule of matters reserved for the Board's deliberation and approval. This is to ensure that there are clear functions of the Board and the Management within the Group. The LOA is reviewed as and when required according to the circumstances and operational requirements of the Group.

Among the key matters reserved for approval by the Board are the business strategy, AMP, interim and annual financial statements, investment activities, significant acquisitions and disposals, major restructuring and reorganisation, funding arrangements, expenditures above certain prescribed limits, interim dividend and declaration of final dividend, appointment of Directors/Board Committee members, remuneration for Group Managing Director ("GMD") and certain Senior Management staff, related party transactions, significant business decisions and other relevant matters affecting the Group's operations and business.

iii. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risk

The Board is responsible in reviewing principal risks, establishing appropriate controls and action items to ensure that the obligations to the shareholders and other stakeholders are met. The Board is also responsible to oversee sustainability related risks and ensure that sustainability is integrated within the key business areas and ensuring the collective achievement of the sustainability goals across the organisation.

The above functions of the Board are delegated to the Board Risk and Sustainability Committee (“BRSC”), which is supported by the Group Risk Management Committee (“Group RMC”) headed by the GMD.

The Board through the BRSC oversees the Risk Management activities and processes of the Group. The BRSC also oversees the formulation of relevant Risk Management policies and risk measurement parameters across the Group and makes the appropriate recommendations to the Board for its approval. The BRSC is responsible for ensuring that the Risk Management framework in the Group operates effectively based on the policies approved by the Board.

Salient features of the Risk Management methodologies are disclosed in the report on ‘Risk Management’ contained in the Annual Report 2018.

iv. Succession planning, including appointing, training, fixing the remuneration and where appropriate, replacing Senior Management of the Company

In determining the succession planning for Board members,

the Board is guided by the recommendations of the Malaysian Code on Corporate Governance (“MCCG”) and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) which stipulates that each Director should have the character, experience, integrity, competence and time to effectively discharge his/her role as a Director, taking into account the future needs and way forward for the Company.

The Board Nomination and Remuneration Committee (“BNRC”) has been entrusted with the responsibility to review candidates for appointment to the Board, Board Committees and Senior Management for Grade 11 and above to ensure that all candidates appointed to these positions are of sufficient calibre. In this respect, the factors considered by the BNRC include the candidates’ profiles, achievements, personalities and suitability for the respective positions. The BNRC also has the responsibility to determine the remuneration of the GMD and other Senior Management personnel from Grade 11 and above.

A Group Talent Management Programme has been introduced to ensure adequacy of talent for business continuity of the Group. Potential talents are identified by the Group Human Capital through a series of selection and assessment processes. All identified talents and potential successors for key positions in the Group will undergo a structured talent development programme, which includes mentoring and coaching.

During the financial year ended (“FYE”) 31 March 2018, the Board in overseeing the succession planning of the Company had considered and approved a number of changes to the directorate of the Company and its subsidiaries as well as the appointment and promotions of Senior Management of the Company.

Details of the activities undertaken by BNRC for the FYE 31 March 2018 are set out on page 42 to 44 of the Corporate Governance (“CG”) Report.

v. Developing and implementing an Investor Relations programme or shareholder communications policy for the Company

The Board recognises the importance of maintaining transparency and accountability to the shareholders and all other stakeholders. The Group Investor Relations (“IR”) had been entrusted with the responsibility to handle IR and communications with the shareholders. The key IR initiatives undertaken by the Company during the financial year are set out in the section on ‘IR’ in the Annual Report 2018.

The Group maintains a website at [www.drb-hicom.com](http://www.drb-hicom.com) (“the website”) which can be conveniently accessed by the shareholders and the general public so as to increase the effectiveness and timeliness of information dissemination. On the website, there is a section dedicated on IR that supports the Company’s communication with the investment community. The website is updated from time to time in order to provide the latest information about the Group, which encompassed amongst others, the corporate information, corporate responsibility activities, annual reports, press releases, financial results of the Group and announcements to Bursa Malaysia.

The Company had established a Corporate Disclosure Policy which is in line with the Corporate Disclosure Guide issued by Bursa Malaysia. The Corporate Disclosure Policy of the Company provides guidance to the Board, Management, Officers and employees of the Company on disclosure requirements and practices in particular, on the preparation and submission of timely, true and fair financial disclosures

and material announcements to Bursa Malaysia. This would enhance the Company's compliance, accountability and timely disclosures to all the shareholders and stakeholders.

The Corporate Disclosure Policy of the Company is available on the website of the Company at [www.drb-hicom.com](http://www.drb-hicom.com).

vi. Reviewing the adequacy and 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 Board has the overall responsibility to maintain an internal control system that provides reasonable assurance on the effectiveness and efficiency of operations, conformance with laws and regulations, as well as with internal procedures and guidelines.

The effectiveness of the internal control system of the Group is reviewed by the Board Audit Committee ("BAC") periodically during its quarterly meetings. The review covers the Group's financial, accounting and reporting policies and practices as well as the adequacy of the internal control system to safeguard the shareholders' interests and the Group's assets.

The Group Internal Audit Division ("GIAD") monitors the conformance to the policies and procedures as well as the effectiveness of internal control systems across the Group, whilst legal and regulatory compliance are the responsibilities of the Legal Affairs Department, Corporate Secretarial and Corporate Planning Divisions. The GIAD will present its Audit Reports to the BAC on a quarterly basis highlighting any breach of internal controls and other areas of weaknesses together with the recommendations to mitigate and rectify the issues highlighted.

	<p>During the financial year, the BAC and the Board reviewed the report on the internal control matters of the Group highlighted by the external auditor and discussed the recommendations for improvements on controls and procedures of the Group. In addition, the BAC and the Board also reviewed the summary of the overall assessment done by the external auditor on the quality of the financial reporting performed by the management of the Group companies covering the submission of management accounts, draft financial statements, quality of reconciliations, assessment on internal controls, timeliness of audit confirmation replies and the adequacy of tax provision during the period of audit.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Company represents the Board to the shareholders. He is responsible for ensuring the integrity and effectiveness of the governance process of the Board and will consult with the Board promptly over any matter that gives him a cause for major concern. In addition, he is responsible for providing clarifications to the shareholders at the Company's general meetings and ensuring Board effectiveness and proper conduct.</p> <p>The Chairman acts as a facilitator at Board meetings and ensure that no Board member, whether executive or non-executive, dominates the discussion. He ensures that appropriate discussions take place and relevant opinions among the Board members are forthcoming that result in logical and understandable outcomes. The Chairman encourages a healthy debate on issues raised at meetings, and gives opportunity to Directors who wish to speak on the motions, either for or against them.</p> <p>The key roles and responsibilities of the Chairman of the Board are specified on pages 4 and 5 of the Board Charter, which is available on DRB-HICOM's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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

## Intended Outcome

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 position of Chairman and GMD of the Company are held by two different individuals. The Chairman is Dato' Mohammad Zainal bin Shaari and the GMD is Dato' Sri Syed Faisal Albar bin Syed A.R Albar.</p> <p>There is a clear division of roles and responsibilities between the Chairman and the GMD as stated in the Board Charter, to ensure that there is a balance of power and authority such that no one individual has unfettered powers over decision-making.</p> <p>The segregation between the duties of the Chairman and GMD ensures appropriate balance of role, responsibility and accountability at the Board level.</p> <p>The key roles and responsibilities of the Chairman and GMD are provided on pages 4, 5 and 9 of the Board Charter, which is available on DRB-HICOM's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</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 1.4

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 Board is supported by the Company Secretary who was a practising lawyer specialising in corporate and commercial law and has vast experience in the corporate secretarial field. The Company Secretary is a licensed secretary approved by the Companies Commission of Malaysia and is qualified to act as the Company Secretary under Section 235(2) of the Companies Act 2016 ("Act"). The appointment and removal of the Company Secretary is a matter for the Board as a whole.</p> <p>All Board members have separate and independent access to the advice and services of the Company Secretary to enable them to discharge their duties and responsibilities as Directors effectively.</p> <p>The Company Secretary is responsible to the Board in ensuring that Board policies and procedures are complied with and advising the Board, particularly with regard to the Company's Constitution, governance matters as well as compliance with the applicable laws, rules and regulations. In addition, the Company Secretary also updates the Board regularly on amendments to the MMLR, circulars from Bursa Malaysia and matters relating to statutory obligations and directives issued by the regulatory authorities from time to time.</p> <p>The Company Secretary manages the process and attends all Board and Board Committee meetings and ensures that</p>

	<p>deliberations at these meetings are properly documented and communicated to the relevant management for further actions.</p> <p>She is also responsible for ensuring that all the meetings are properly convened in accordance with the applicable rules and regulations as well as proper upkeep of statutory registers and records of the Company.</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 1.5

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 Directors are expected to attend all meetings of the Board and Board Committees on which they serve and devote sufficient time to perform their duties as Directors of the Company.</p> <p>To ensure that the Group is managed effectively, the Board and Board Committee meetings for the ensuing calendar year are scheduled in advance before end of each calendar year to enable the Directors/Members to plan ahead and fit the year's Board/Committee meetings into their own schedules. The Board meets at least four (4) times a year to review financial, operational and business performance as well as other Board reserved matters. Additional Board meetings would be convened, as and when necessary.</p> <p>The Notices of Board meetings are normally issued to the Board members at least fourteen (14) days prior to the meeting date. The agenda of Board and Board Committee meetings together with the relevant Board papers are distributed at least five (5) working days prior to the meeting date to allow sufficient information and time for the Directors to review and evaluate the matters to be deliberated at the respective meetings.</p> <p>The decisions made by the Board at the Board/Board Committee Meetings are conveyed to the respective management within five (5) working days after each meeting for</p>

	<p>their immediate actions through action lists issued by the Company Secretary.</p> <p>The minutes of the meetings are prepared to include amongst others, pertinent issues, substance of enquiries and responses, recommendations and decisions made by the Directors/Committees.</p> <p>The minutes will be signed by the Chairman of the said meeting as a correct record of the proceedings of the meeting upon confirmation by the Board/Committees at the following meetings. The minutes of the meetings are properly kept in line with the statutory requirements of the Act.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

There is 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 had established a Board Charter which clearly sets out the duties, roles and responsibilities of the Board, Board Committees, Individual Directors, Chairman, GMD and Company Secretary. It is a source of reference and primary induction literature, providing insights to prospective Board members and Senior Management.</p> <p>The Board Charter adopts principles of good governance and is designed to maximise the Company's compliance with the best practice requirements. The Board Charter is reviewed as and when necessary to ensure it remains consistent with the Board's objectives and responsibilities, and all the relevant standards of corporate governance.</p> <p>The Board Charter aims to assist the Directors to better appreciate their roles and responsibilities, thus ensuring the long-term objectives of the Company are met.</p> <p>The Board Charter is available on the website of the Company at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p> <p>The Board Charter will be reviewed and updated from time to time to align with the regulatory changes. The Board Charter was last reviewed and updated by the Board on 31 May 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

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>The Directors continue to observe the Directors' Code of Ethics established by the Company in carrying out their fiduciary duties and responsibilities. It sets out the principles that the Directors need to observe particularly in respect of conflict of interest and guidelines on acceptance of gifts. This is to ensure that high ethical standards are upheld, and that the interests of stakeholders are always taken into consideration. The Directors' Code of Ethics is set out on page 15 of the Board Charter of the Company which is available on the website of the Company at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p> <p>The Directors are required to declare their direct and indirect interests in the Company and related companies. It is also the Directors' responsibility to declare to the Board whether they and any person(s) connected to them have any potential or actual conflict of interest in any transaction or in any contract or proposed contract with the Company or any of its related companies. Any Director who has an interest in any related party transaction shall abstain from Board deliberation and voting and shall ensure that he/she and any person(s) connected to him/her will also abstain from voting on the resolution before them.</p>

	<p>The Company has put in place appropriate controls to ensure systematic identification of potential conflicts of interest and procedures between the Directors and the operation of the Group to facilitate the management of the conflict of interest and procedures, if arises.</p> <p>The Directors and Senior Management are notified periodically of the closed periods which remind them not to deal in the securities of the Company as long as they are in possession of price-sensitive information.</p> <p>In addition, the Company has established a Code of Ethics and Business Practice which promotes the highest standards of conduct at the workplace and in business engagements which emphasises fairness, professionalism, impartiality and full compliance with the laws and regulations. The Code of Ethics and Business Practice of the Company is available on the website of the Company at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</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 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>DRB-HICOM Berhad has established a Whistleblower Policy ("Policy") which outlines the Group's commitment towards enabling employees and other stakeholders to raise concerns in a responsible manner regarding any wrong doings or malpractices without being subject to victimisation or discriminatory treatment, and to have such concerns properly investigated.</p> <p>All disclosures made under the Policy will be dealt with in strict confidence. It will be the task of GIAD or any other assigned investigating party to assess, investigate and report on the complaints or concerns raised.</p> <p>The Policy and its disclosure procedures are accessible to public for reference on the Company's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>. Disclosures could be made through any of the following reporting channels:-</p> <ol style="list-style-type: none"><li>1. Complaints or reports on allegations of wrongdoings or any improper activity can be made through the Whistleblower Hotline (1-800-88-2005).</li><li>2. Email the complaints or reports to <a href="mailto:whistleblowing@drb-hicom.com">whistleblowing@drb-hicom.com</a></li></ol>

	<p>3. In writing to one or more of the following persons within the Company:</p> <ol style="list-style-type: none"> <li>a. BAC Chairman</li> <li>b. GMD</li> <li>c. Group Chief Executives or</li> <li>d. Head of GIAD.</li> </ol> <p>4. Complaints against the GMD Director or Senior Management of the Company can be made directly to the BAC Chairman.</p> <p>The Management, in an effort to create better awareness of the Policy, had introduced the Whistleblower Policy Brochure ("Brochure"). The Brochure is available in English and Bahasa Malaysia language.</p> <p>The Brochure was disseminated via email blast and hardcopies of the same were also distributed by Group Human Capital as part of the awareness programme on the Whistleblower Policy.</p> <p>All operating companies are encouraged to prominently display the Whistleblower brochure, posters and buntings at common areas and at notice boards.</p> <p>The Whistleblower Policy is available on the website of the Company at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The current Board has eight (8) members, comprising one (1) Executive Director, three (3) Non-Independent Non-Executive Directors (“NINED”) and four (4) Independent Non-Executive Directors (“INED”). The four (4) INED are:-</p> <ul style="list-style-type: none"><li>i. Datuk Ooi Teik Huat</li><li>ii. Dato’ Ibrahim Taib</li><li>iii. Datuk Idris Abdullah</li><li>v. Tee Beng Thong.</li></ul> <p>All the four (4) INEDs satisfied the independence criteria of the MMLR prior to their appointment as Directors. In addition, the INEDs re-affirm their independence annually.</p> <p>The Company has complied with the MMLR which requires one-third of the membership of the Board to be Independent Board members. The Board takes cognisance of Practice 4.1 of the new MCGG, which requires for the Board of Large Companies, to comprise a majority of independent directors.</p> <p>Currently, the Independent Directors make up 50% of the Board membership. The Board has regarded the current Board composition to be effective in decision making at the Board level where independent deliberation is being upheld with the presence of the four (4) INEDs at the Board and the views of</p>

	<p>Independent Directors are being highly regarded. The Board will continue to source for suitable candidates for appointment as additional Independent Directors of the Company.</p>
	<p>Despite not meeting the required number recommended under the MCCG, the presence of the Senior Independent Director, Datuk Ooi Teik Huat, provides an additional channel for INEDs to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in an open forum. The presence of Datuk Ooi Teik Huat provides effective check and balance in the functioning of the Board to safeguard the interests of the Company and all stakeholders.</p> <p>In addition, the four (4) INEDs do not participate in the daily management of the Group. Hence, they are free from any business or other relationships which could interfere with the exercise of independent judgement in the best interests of the Company and of the minority shareholders. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting the approved goals and objectives and monitor the risk profiles of the Company's businesses and performances.</p> <p>No individual or group of individuals dominates the Board's decision making. The Independent Directors play an important and pivotal role in corporate accountability and they represent the interest of minority shareholders of the Company. The Independent Directors are responsible for bringing independent and objective judgement and providing balanced views and opinions to the Board's decision making. This is reflected by their memberships and attendances at the various Board and Board Committees meetings of the Company.</p> <p>The assessment of Independence of the INEDs are conducted on annual basis via the following:-</p>

	<p>i. Self-assessment under the Board Effectiveness Evaluation by completing the Evaluation of the Fit and Proper and Performance Assessment of individual directors (“Effectiveness Evaluation”), to ensure that the INEDs are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or ability to act in the best interest of the Company.</p> <p>ii. Forms of Declaration of Independence by each INEDs, to facilitate the process of determining the Directors’ independence on an annual basis.</p> <p>Based on the assessment carried out by the BNRC, the Board had endorsed that all the Independent Directors including those who are seeking for re-election at the 28<sup>th</sup> AGM of the Company complied with the independence criteria as prescribed in the MMLR and they have remained independent in exercising their judgement, in carrying out their duties as Independent Directors and have acted in the best interests of the Company including in safeguarding the public interests.</p> <p>All the Independent Directors have provided the BNRC with written confirmations on their independence during the annual assessment exercise conducted for the FYE 31 March 2018.</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>: The Board believes that the current Board composition is adequate to provide independent and objective judgement in carrying out their duties as Independent Directors and they have the ability to act in the best interest of the Company. This had accordingly met the spirit of the practice.</p> <p>The Board reviews the composition of the Board to ensure appropriate balance in terms of skills and experience of the Directors from time to time, and as and when the need arises.</p>

<b>Timeframe</b>	:	3 years	The Board will continue to source for suitable candidates for appointment as additional Independent Directors of the Company.
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## Intended Outcome

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

### Practice 4.2

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 - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<p>Datuk Ooi Teik Huat, the Senior Independent Director of the Company, has exceeded the cumulative term of nine (9) years on 11 July 2018. Datuk Ooi Teik Huat has indicated his willingness to continue to act as the Senior Independent Non-Executive Director of the Company ("Senior INED") and has offered himself for re-election at the 28<sup>th</sup> AGM and to continue to be in office until the next AGM.</p> <p>In assessing the retention of Datuk Ooi Teik Huat, the BNRC and the Board are of the view that he has continued to remain objective and independent-minded in his participation in the deliberations and decision making of the Board and Board Committees. He has constantly sought for clarifications, challenged the Management when necessary and expressed unbiased views without any influence and is objective in his scrutiny.</p> <p>Moreover, the Board believes that the length of time is not the sole determinant of his credibility and effectiveness as Independent Director since it does not in any way affect or interfere with his exercise of independent judgement and ability to act in the best interest of the Company and the Group.</p>

	<p>The BNRC and the Board are confident that he will continue to discharge his duties diligently, independently and objectively notwithstanding his tenure on the Board based on the following reasons:-</p> <ol style="list-style-type: none"> <li>i. He fulfils the criteria as Independent Director defined in the MMLR and is able to bring independent and objective judgement to the Board.</li> <li>ii. He possesses sufficient self-esteem and confidence to stand up for independent view and tackles conflicts as well as takes part in proposing solutions.</li> <li>iii. He approaches any transaction that requires the Board's approval with an inquiring mind and provides constructive deliberations at Board and/or Board Committee Meetings, where necessary.</li> <li>iv. He is not afraid to express an unpopular stance on issues or express disagreement on matters and he actively pursues them with the rest of the Board members and with the Management team.</li> <li>v. He does not shy away from asking hard and uncomfortable questions during the Board's deliberations and is willing to delve deeper if the responses provided were not satisfactory.</li> </ol> <p>On 11 July 2018, the Board on the recommendation of the BNRC, agreed to seek the shareholders' approval at the 28<sup>th</sup> AGM to retain Datuk Ooi Teik Huat who had exceeded the nine (9) years tenure as an INED and to continue to act as the Senior INED of the Company. All the assessments and evaluations carried out by the BNRC are properly documented.</p>
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<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Company adopts the tenure limit of nine-year for Independent Directors, as recommended under MCCG. The nine-year tenure can either be based on a consecutive service of nine (9) years or a cumulative service of nine (9) years with intervals. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to him/her being re-designated as Non-Independent Director.</p> <p>The Board, based on the assessment by the BNRC, may seek shareholders' approval in a general meeting to retain the Independent Director who has reached the tenure limit to continue as Independent Director with justification. The policy is stipulated in the Company's Board Charter which is available on DRB-HICOM's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p> <p>The Board Charter of the Company was recently revised to include the two-tier voting process to retain the independent director after the twelfth (12<sup>th</sup>) year, as recommended by MCCG.</p>

## 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 is responsible to determine the appropriate size of the Board, the responsibility of which has been delegated to the BNRC to ensure that any decisions made are in the best interest of the Company. There is a formal and transparent policies and procedures for the appointment of new Directors (including re-election/re-appointment) to the Company and the Group as detailed in the Board Charter. The BNRC is guided by the Board Charter and its Term of Reference (“TOR”) in the nomination, selection and appointment process.</p> <p>The Board will seek recommendation/referral from the existing Directors to source and nominate suitable candidates for appointment as Directors to fill the Board vacancies or to complement the existing Board. When candidates are identified, the BNRC will evaluate the suitability of the candidates based on the criteria set and make the necessary recommendation to the Board for approval. The Board will then make the final decision on the appointment of the Directors.</p> <p>The BNRC’s assessment criteria of the candidates includes, but not limited to, consideration of the relevant knowledge and diversity of backgrounds, professional qualifications, skills, experience, personal qualities and perspectives that would complement the existing Board as well as the time commitment and other directorships in public listed companies.</p> <p>Subsequent to the appointment of new Directors to the Board, the Company will arrange for an induction programme for the new Directors, including visits to the Group’s significant businesses and meetings with the Senior Management, to enable the new Directors to get a full understanding of the nature of the businesses, current issues within the Group, corporate</p>

strategies and the structure and management of the Group. A familiarisation programme on the Group's businesses and CG practices is arranged for new Directors upon their appointment to facilitate effective discharge of their duties.

The responsibility of ensuring that procedures relating to the appointment of new Directors are properly executed, rests with the Company Secretary. The Company Secretary ensures that all appointments are properly made, that all necessary information is obtained from the new Directors, both for the Company's own records and for purposes of meeting the statutory and regulatory requirements.

Based on the review of the Board composition in 2018, the Board was satisfied with the Board size of eight (8). Since the last Annual General Meeting of the Company ("27th AGM") held on 30 August 2017 and following the evaluations by the BNRC which were based on a set of assessment criteria, the Board on the recommendation of the BNRC, approved the appointment of the following Directors to complement the Board composition:-

- i. The appointment of Tee Beng Thong as an Independent NED of the Company on 1 December 2017.
- ii. The appointment of Dato' Mohammad Zainal bin Shaari as Non-Executive Chairman and Non-Independent Director of the Company on 13 April 2018.
- iii. The appointment of Sharifah Sofia binti Syed Mokhtar Shah as NINED of the Company on 13 April 2018.

All the newly appointed Directors attended the induction programme organised by the Company to assist them to familiarise with the matters relating to the Company's business activities, its strategic directions and policies, the regulatory environment in which the Group operates, the Company's corporate governance practices and others.

The current diversity in the race/ethnicity (cultural background), nationality age and gender of the existing Board is as follows:-

	Race/Ethnicity			Nationality	
	Malay	Chinese	Others	Malaysian	Foreigner
Number of Directors	5	2	1	8	0

	Age Group			Gender	
	20-50	50-60	60-70	Male	Female
Number of Directors	1	5	2	6	2

The particulars of seminars, conference and training programmes attended by the Directors, save for the Directors who resigned during the FYE 31 March 2018, are as summarised below:-

Directors	Training Attended
Dato' Sri Syed Faisal Albar bin Syed A.R Albar	<ul style="list-style-type: none"> <li>• Cyber Security Board Awareness Session.</li> </ul>
	<ul style="list-style-type: none"> <li>• In-House Compliance Training for Board of Directors and Senior Management on:-               <ul style="list-style-type: none"> <li>- Money Services Business Act 2011.</li> <li>- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.</li> </ul> </li> </ul>
Dato' Siti Fatimah binti Daud	<ul style="list-style-type: none"> <li>• Key Performance Indicator Workshop for Minister of Finance Incorporated Companies.</li> </ul>
	<ul style="list-style-type: none"> <li>• Remuneration Policy &amp; Management Division Team Building.</li> </ul>
	<ul style="list-style-type: none"> <li>• The Undeniable Impact of Employee Engagement – From the Backroom to the Boardroom.</li> </ul>
	<ul style="list-style-type: none"> <li>• Corporate Talk – SPNB – Harnessing Growth Resilience Amid Economic Challenges and Opportunities.</li> </ul>

		<ul style="list-style-type: none"> <li>Managing Project Risks Seminar – A Blueprint for Opportunities and Positive Change.</li> </ul>
	Dato' Ibrahim bin Taib	<ul style="list-style-type: none"> <li>Cyber Security Board Awareness Session.</li> <li>Independent Directors' Programme : The Essence of Independence.</li> </ul>
	Datuk Ooi Teik Huat	<ul style="list-style-type: none"> <li>Cyber Security Board Awareness Session.</li> <li>Insights Into The Energy Transition - Presentation by Bloomberg.</li> <li>MCCG 2017.</li> <li>The impact of Companies Act 2016 on the MCCG 2017.</li> </ul>
	Datuk Idris bin Abdullah @ Das Murthy	<ul style="list-style-type: none"> <li>Cyber Security Board Awareness Session by KPMG &amp; Risk Consulting Sdn Bhd.</li> <li>MCCG 2017.</li> <li>In-House Compliance Training for Board of Directors and Senior Management on:- <ul style="list-style-type: none"> <li>Money Services Business Act 2011.</li> <li>Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.</li> </ul> </li> <li>FinTech and the Transformation in Financial Services.</li> </ul>
	Tee Beng Thong	<ul style="list-style-type: none"> <li>CG Breakfast Series For Directors - Leading Change @ The Brain.</li> <li>Mandatory Accreditation Programme.</li> <li>Corporate Governance Briefing. Session – MCCG Reporting &amp; CG Guide.</li> </ul>

	<p>Both Dato' Mohammad Zainal bin Shaari and Sharifah Sofia binti Syed Mokhtar Shah were appointed to the Board after the FYE 31 March 2018 hence, details of their trainings will be disclosed at the next FYE.</p> <p>The company has in place a policy on appointment of senior management as per policy number GHCD/MAN/2.6/14 which has been in practice since 2014.</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 4.5

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 current Board has eight (8) members, comprising one (1) Executive Director, three (3) NINEDs and four (4) INEDs. The Board members are:-</p> <table border="1"> <tr> <td>1.</td> <td>Dato' Mohammad Zainal bin Shaari</td> <td>Chairman/NINED</td> </tr> <tr> <td>2.</td> <td>Dato' Sri Syed Faisal Albar bin Syed A.R Albar</td> <td>GMD</td> </tr> <tr> <td>3.</td> <td>Dato' Siti Fatimah binti Daud (nominee from the Ministry of Finance)</td> <td>NINED</td> </tr> <tr> <td>4.</td> <td>Dato' Ibrahim bin Taib</td> <td>INED</td> </tr> <tr> <td>5.</td> <td>Datuk Ooi Teik Huat</td> <td>Senior INED</td> </tr> <tr> <td>6.</td> <td>Datuk Idris bin Abdullah @ Das Murthy</td> <td>INED</td> </tr> <tr> <td>7.</td> <td>Ben Tee Beng Thong</td> <td>INED</td> </tr> <tr> <td>8.</td> <td>Sharifah Sofia binti Syed Mokhtar Shah</td> <td>NINED</td> </tr> </table> <p>Of the current 8 Directors, 2 are female and 6 are male and 2 Directors have legal background, 4 Directors have accounting background, 1 Director has a Bachelor of Arts Degree and 1 Director has a Bachelor of Science in Economics.</p> <p>The current Board composition has a good mix of the industry-specific knowledge, broad business sense and commercial</p>	1.	Dato' Mohammad Zainal bin Shaari	Chairman/NINED	2.	Dato' Sri Syed Faisal Albar bin Syed A.R Albar	GMD	3.	Dato' Siti Fatimah binti Daud (nominee from the Ministry of Finance)	NINED	4.	Dato' Ibrahim bin Taib	INED	5.	Datuk Ooi Teik Huat	Senior INED	6.	Datuk Idris bin Abdullah @ Das Murthy	INED	7.	Ben Tee Beng Thong	INED	8.	Sharifah Sofia binti Syed Mokhtar Shah	NINED
1.	Dato' Mohammad Zainal bin Shaari	Chairman/NINED																								
2.	Dato' Sri Syed Faisal Albar bin Syed A.R Albar	GMD																								
3.	Dato' Siti Fatimah binti Daud (nominee from the Ministry of Finance)	NINED																								
4.	Dato' Ibrahim bin Taib	INED																								
5.	Datuk Ooi Teik Huat	Senior INED																								
6.	Datuk Idris bin Abdullah @ Das Murthy	INED																								
7.	Ben Tee Beng Thong	INED																								
8.	Sharifah Sofia binti Syed Mokhtar Shah	NINED																								

	<p>experience. This balance enables the Board to fulfil its oversight responsibilities and provide clear and effective leaderships to many aspects of the Group's strategies and performances as well as ensure that the highest standards of professionalism, conduct, transparency and integrity are maintained by the Group.</p>
	<p>As stipulated in the Company's Board Charter, the Board values diversity as a factor in selecting candidates to serve on the Board and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company. The Board considers that diversity includes differences that relate to gender, age, ethnicity, skills, knowledge, qualification and experience.</p> <p>The Board recognises the importance of gender boardroom diversity. Nevertheless, the normal selection criteria based on an effective blend of competencies, skills, characteristics, extensive experience and knowledge to strengthen the Board will remain a priority. As such, the Company does not set any specific target for female directors in the Board composition. Notwithstanding this, the Board will continue to encourage and support for more women participation on the Board, as and when vacancies and circumstances permit.</p> <p>In line with the Government's aspiration to have at least 30% women representation in decision-making positions of Malaysian public companies, the Company has appointed Sharifah Sofia binti Syed Mokhtar Shah as a new Director of the Company on 13 April 2018.</p> <p>Subsequent to her appointment, the percentage of women directors in the Company is 25%.</p> <p>The appointment of Director on the Board was made after objective and thorough assessment by the BNRC that he/she possesses the appropriate skills and experience to contribute effectively to the Board, before the appointment is</p>

	<p>recommended to the Board for consideration/approval.</p> <p>The BNRC considers the current Board skill mix and composition have been sufficiently effective in meeting the business demands of the Group.</p> <p>In the meantime, the Board continues to leverage on the current Board members who have diverse backgrounds, ethnicity, age and areas of expertise to meet the application of the above practice.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	: As the current Board composition has been effective, the Board will consider the appointment of additional women Director as and when vacancies and circumstances permit.	
<b>Timeframe</b>	: Others	As and when suitable woman candidate who is able to complement the current Board composition and mix is identified.

## 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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company has in place a formal and transparent procedure for the appointment of Directors to the Board and the Board has delegated the task to BNRC. The policies and procedures for recruitment or appointment (including re-election/reappointment) of Directors are outlined in the Board Charter. The BNRC, which comprises exclusively of NEDs, the majority being independent, is empowered to identify and recommend to the Board, candidates who are qualified to serve on the Board and Board Committees, the Group's key management personnel and the Company Secretary.</p> <p>During the year, the BNRC had considered and recommended, amongst others, the appointments of three (3) new Directors including the position of Chairman. The BNRC had a robust deliberation in respect to the proposal of the candidates and followed objective process where the candidates were screened, to ensure that they possess the right character, experience, integrity, competence and time to effectively discharge their roles as Directors of the Company. These Directors are experienced and possess the required skills, experience and competence to complement the current Board members. Moreover, the recommendations of the appointment of new Board members are objectively reviewed by the BNRC which members comprise a majority of Independent Directors.</p>

	<p>Notwithstanding the above process, the Board considers candidates from all sources to identify suitable candidates to complement the existing Board composition.</p> <p>In order to ensure that the Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion as agreed by the Board in determining the candidates for potential Directors is that they must not hold directorships of more than five (5) public listed companies (as prescribed in Paragraph 15.06 of the MMLR of Bursa Malaysia).</p> <p>In addition, the proposed candidate for Independent Director, will be required to confirm that he/she meets the criteria for an independent director, prescribed by Bursa Malaysia prior to the BNRC recommending his/her proposed appointment as an INED to the Board for approval.</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>: The Board will endeavour to apply the recommendation of MCCG to utilise independent sources to identify suitable directors to the Board when required.</p>	
<p><b>Timeframe</b></p>	<p>: 1 year</p>	<p>As and when required.</p>

## 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>	:	Departure
<b>Explanation on application of the practice</b>	:	Subsequent to the resignation of Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil as Chairman of the Company on 1 April 2018 and based on the recommendation from the BNRC, the Board approved the appointment of Dato' Mohammad Zainal bin Shaari ("Dato' Zainal") as Director and Chairman of the Company as well as Chairman of BNRC with effect from 13 April 2018.
<b>Explanation for departure</b>	:	<p>The Board took cognisance of the MCGG's recommendation for the BNRC to be chaired by an Independent Director or the Senior Independent Director.</p> <p>However, the Board after due consideration, appointed Dato' Zainal, a NINED as Chairman of the BNRC on 13 April 2018.</p> <p>The appointment of Dato' Zainal as Chairman of the BNRC was based on his experience in Audit, Financial Reporting, Corporate Governance, Due Diligence, Corporate Strategy, Human Capital, Financial Investigations, Investment Management &amp; Monitoring, Corporate Finance, Risk Management and Merger &amp; Acquisition.</p> <p>The Board is of the view that the most important consideration in the leaderships of the BNRC is the quality and valuable experience of the candidate who chairs the Committee.</p> <p>Although Dato' Zainal is a NINED, he is a meticulous person and upholds good corporate governance practices. He emphasises a lot on due processes and procedures especially strict adherence</p>

to the laws, rules and regulations governing the operation and conduct of the Group. With his vast experience and exposure in various senior positions, he would be able to lead and is unbiased in his stewardships to protect the interest of the Company and its shareholders. Details of Dato' Zainal's profile are set out on page 34 of the Annual Report 2018 of the Company.

The Board will ensure that the intended outcome of Practice 4.7 of MCGG is achieved as the BNRC consists majority of INEDs which allows for robust discussion and constructive assessment of the matter presented to the BNRC.

The remaining members of the BNRC are:-

- i. Datuk Ooi Teik Huat – Senior INED; and
- ii. Dato' Idris Abdullah – INED.

Although the Company combines both its Board Nomination and Remuneration Committees as one (1) committee called BNRC, the BNRC reviews and considers matters related to nomination and remuneration separately. There are separate board papers on nomination and remuneration matters that were tabled, discussed and deliberated at the BNRC meetings.

The TOR and functions of the BNRC are set out in the Board Charter of the Company which is available on the website of the Company. Among the activities undertaken by the BNRC during the FYE 31 March 2018 were as follows:-

- i. Considered and recommended the appointment of new Directors for the Company and its key subsidiary and associated companies;
- ii. Considered and recommended the Directors who were eligible for re-election and re-appointment at the 27<sup>th</sup>

	<p>AGM as well as the Independent Directors whose terms of office had exceeded nine (9) years to be retained as Independent Directors pursuant to MCCG;</p> <ul style="list-style-type: none"> <li>iii. Reviewed the structure, size, balance and composition of the Board and its Committees;</li> <li>iv. Conducted the annual assessment on the effectiveness of the Board and its Committees as well as the contribution of each Director;</li> <li>v. Reviewed the terms of office and performance of BAC and each of its members;</li> <li>vi. Conducted the annual assessment of the independence of the Independent Directors;</li> <li>vii. Reviewed the training programmes attended by the Directors to ensure that all Directors received appropriate continuous training;</li> <li>viii. Evaluated the KPIs achievements of the GMD and Senior Management personnel of Grade 11 and above for the FYE 31 March 2017 and recommended their performance bonuses;</li> <li>ix. Considered and recommended the annual increment for the GMD and Senior Management personnel of Grade 11 and above for the FYE 31 March 2018; and</li> <li>x. Considered and recommended the succession planning for Senior Management positions in the Company.</li> </ul> <p>In line with Paragraph 2.20A of the MMLR, the BNRC also assessed the Principal Officer responsible for overseeing the Group's accounting/reporting and taxation and was satisfied that</p>
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	<p>he possesses the required skills, knowledge, competency and experience to continue to discharge his role effectively and efficiently.</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>: The Company complied with MCCG's recommendation in regards to the TOR of BNRC and in ensuring that the decision made by the BNRC is not detrimental to the Company and its minority shareholders.</p> <p>The Board will ensure that the BNRC maintains its independence and objectivity in discharging its responsibility in overseeing the performance of the Directors, Senior Management and other specific Human Resource matters of the group.</p>	
<p><b>Timeframe</b></p>	<p>: Others</p>	<p>The Board will ensure that decisions are made in the best interest of the Company taking into account the diverse perspectives and insights.</p>

## 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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board took cognizance of the MCCG recommendation for Large Companies to engage independent experts periodically to facilitate objective and candid board evaluation. Currently, the Company conducts the annual evaluation on the effectiveness of the Board and its Committees internally.</p> <p>The Board, through its delegation to the BNRC, had implemented the process for an annual effectiveness assessment of the Board, Board Committees and the contribution of each Director to the effectiveness of the Board. The objective is to improve the Board's effectiveness by identifying gaps, maximising strengths and addressing weaknesses.</p> <p>The BNRC assesses the performance of the Board, Board Committees and the contribution of each Director annually using the self-assessment methodology. Customised questionnaires are sent to the Directors for completion and the areas of evaluation cover the Board/Board Committee size, composition and effectiveness, information management, accountability, communication with management, performance in discharging the duties, time allocation, quality of information and decision</p>

making. The Board also assesses the Board Committees' performances through their regular reports to the Board on their activities. For evaluation of individual Directors, the areas of assessment are on fit and proper standing, contribution, performance, corporate integrity, commitment, capability and others.

The Company Secretary will collate the results of the appraisals received from the Directors for submission to the Chairman of the BNRC who oversees the overall evaluation process.

The BNRC, pursuant to its recent annual review and assessment, is satisfied that the size and composition of the Board and Board Committees are appropriate and well balanced to fairly reflect the interests of the major and minority shareholders of the Company. The BNRC is also satisfied that all members of the Board are suitably qualified as their respective competency, character, integrity, qualifications and experience provide the Board with a good mix of governmental and industry-specific knowledge, broad business sense and commercial experience. These include business, corporate and entrepreneurial sectors, legal, finance, accounting and economics. The overall performance of the Board and Board Committees for the FYE 31 March 2018 was rated consistently good.

In line with the regulators' call to raise the bar for corporate governance, we have enhanced the questionnaires used in the annual assessment on the effectiveness of the Board as a whole, the various committees of the Board, the contribution of each Director to the effectiveness of the Board and the independence of the independent directors for the FYE 31 March 2018. The following six (6) sets of questionnaires were used in the evaluation process for the FYE 31 March 2018:-

- i. Evaluation of the effectiveness of the Board.

	<ul style="list-style-type: none"> <li>ii. Evaluation of Board skills matrix.</li> <li>iii. Evaluation of the effectiveness of the Audit Committee of the Board.</li> <li>iv. Evaluation of Audit Committee Members' Self and Peer Evaluation.</li> <li>v. Evaluation of the effectiveness of the Nomination and Remuneration Committee and Board Risk and Sustainability Committee.</li> <li>vi. Annual Assessment of the Independence of Independent Directors.</li> </ul> <p>The questionnaires were given to all members of the Board and Board Committees for their completion.</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>: Based on the internal assessment conducted by the Company, the Board was satisfied with the overall performance of the Board and Board Committees for the FYE 31 March 2018 which was rated consistently good.</p>	
<p><b>Timeframe</b></p>	<p>: Within 3 years.</p>	<p>The Board would consider engaging independent experts periodically to facilitate objective and candid board evaluations, as and when required.</p>

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The remuneration policies for Directors, GMD and Senior Management of the Company are reviewed by the BNRC prior to making recommendation to the Board for approval.</p> <p>The objectives of the Group's policy on Directors' remuneration are to ensure that the Group attracts and retains Directors of right calibre, experience and quality needed to drive and manage the Group successfully.</p> <p><u>Remuneration for NEDs</u></p> <p>The Board determines and decides the fees and remuneration payable to the NEDs as a whole based on their experience, expertise and responsibilities undertaken by the NEDs. The NEDs are paid meeting allowances for every Board and Board Committee meeting that they attend and the Company also reimburse reasonable expenses incurred by the Directors in the course of their duties.</p> <p>The yearly Directors' fees and meeting allowances for NEDs are as follows:-</p>

Board/Board Committee	Directors' fees (RM)	
	Chairman	Members
Board	140,000	90,000
BAC	18,000	12,000
BNRC	10,000	8,000
BRSC	10,000	8,000

Meeting allowances	Amount per meeting (RM)
Board	1,500
BAC	3,000
BNRC	1,500
BRSC	1,500
General meeting	1,500

Pursuant to Section 230(1) of the Companies Act 2016, the Directors' fees and benefits are subject to shareholders' approval at the Company's AGM.

At the 27<sup>th</sup> AGM of the Company, the Company had obtained the shareholders' approval on the payment of Directors' fees of up to RM959,000 for the period from 1 April 2017 until the conclusion of the next AGM and Directors' benefits of up to RM2.80 million from 31 January 2017 until the conclusion of the next AGM.

This was to enable the Company to make the payments to the NEDs on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the period.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the functional Board of the subsidiaries of the Company. The BNRC will consider from time to time the expansion of the remuneration of NEDs in line

with the Public Listed Companies NEDs Remuneration Guidelines and Remuneration Package, for the approval/endorsement by the Board of the Company.

Details of remuneration of the individual Directors of the Company for the FYE 31 March 2018 are set out in the Annual Report 2018 of the Company.

For GMD and Senior Management

The BNRC is responsible for setting the policy framework and making recommendations to the Board on all elements of the remuneration and terms of employment for the GMD and Senior Management.

The basic salary for the GMD including the statutory employer contributions to the Employees Provident Fund is determined and approved by the Board, taking into account the performance of the GMD, the consumer price index and information from independent sources on the rates of salaries for similar positions in selected group of comparable companies.

The adoption of the KPIs was part of the overall governance to enhance the performance management, financial performance and shareholders' value of the Company. The KPIs were formulated based on two (2) main segments namely; Corporate/Financial and Priorities. For the GMD and the Senior Management, greater emphasis was placed on sustainability of growth which was underpinned by the relevant financial factors.

The performance-based bonuses are strictly tied to the achievement of their KPIs. The bonus formula is designed to promote additional effort and initiatives beyond the KPI targets. Performance assessments of these personnel together with rewards due are rigorously undertaken at the Management and BNRC levels with the Board making the final determination pursuant to the recommendations of the BNRC.

	<p>The BNRC as well as the Board will assess the performance of the key Senior Management personnel based on Corporate, Sector and Divisional Scorecard. The same assessment will also be used as a basis to determine their performance bonus and annual increment.</p> <p>The proposed remuneration for key Senior Management will take into consideration the performance of the individuals, the responsibilities and the dimension entrusted to them, as well as their remuneration positioning on internal and external equity.</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 Terms of Reference ("TOR") of the BNRC delineate the roles and responsibilities in relation to the nomination and remuneration matters, and the TOR is available at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p> <p>On 17 July 2009, the Board combined the Remuneration Committee and Nomination Committee to form the BNRC to undertake among others, the following:-</p> <ul style="list-style-type: none"><li>a. To review and recommend matters relating to remuneration for the Directors and senior management.</li><li>b. To establish formal and transparent remuneration policy for adoption by the Board, the policy of which is also designed to attract and retain Executive Director.</li><li>c. To recommend to the Board, the remuneration packages for specified Senior Management.</li></ul> <p>For the FYE 31 March 2018, a total of two (2) BNRC meetings were held.</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 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>	:	Details of the remuneration of individual Director of the Company for the FYE 31 March 2018 are set out on page 54 to page 55 of the Annual Report 2018 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 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 Board was of the opinion that disclosing details of the remuneration of Senior Management will not be in the best interest nor to the advantage to the Group considering the fierce competition for talents in the employment market.</p> <p>The total remuneration of the key management personnel of the Group is RM9.06 million.</p> <p>The Board discloses the aggregate remuneration (including salary, bonus, allowances and other emoluments) of the five (5) Senior Management for the FYE 31 March 2018 in the bands of RM50,000, as follows:-</p> <table border="1"> <thead> <tr> <th>Senior Managements' Remuneration</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM600,001 to RM 650,000</td> <td>1</td> </tr> <tr> <td>RM1,200,001 to RM1,250,000</td> <td>1</td> </tr> <tr> <td>RM1,600,001 to RM1,650,000</td> <td>1</td> </tr> <tr> <td>RM1,850,001 to RM1,900,000</td> <td>1</td> </tr> <tr> <td>RM3,700,001 to RM3,750,000</td> <td>1</td> </tr> </tbody> </table>	Senior Managements' Remuneration	Number of Senior Management	RM600,001 to RM 650,000	1	RM1,200,001 to RM1,250,000	1	RM1,600,001 to RM1,650,000	1	RM1,850,001 to RM1,900,000	1	RM3,700,001 to RM3,750,000	1
Senior Managements' Remuneration	Number of Senior Management													
RM600,001 to RM 650,000	1													
RM1,200,001 to RM1,250,000	1													
RM1,600,001 to RM1,650,000	1													
RM1,850,001 to RM1,900,000	1													
RM3,700,001 to RM3,750,000	1													
<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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.												

<b>Timeframe</b>	: Others	<p>The Company opts not to disclose the detailed remuneration of the Senior Management to avoid negative implications such as:-</p> <ul style="list-style-type: none"> <li>(i) Attempt by competing companies to lure high performance employees.</li> <li>(ii) Dissatisfaction among the employees arising from differences in their remuneration packages.</li> <li>(iii) Invasion of privacy and may expose the named officers to extortions attempts and other criminal act.</li> </ul>
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### **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>	:	The Company has decided to maintain confidentiality of the remuneration of its Senior Management.

## 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>	:	<p>The BAC comprises three (3) members who are INEDs, all of whom are equipped with the breath of financial expertise and commercial acumen for them to discharge their responsibilities and fulfil their roles as the BAC members.</p> <p>The Chairman of the BAC is not the Chairman of the Board, so as not to impair the objectivity of the Board's view of the BAC's findings and recommendations. The Chairman of the BAC is Datuk Ooi Teik Huat and the Chairman of the Board of Directors is Dato' Mohammad Zainal bin Shaari.</p> <p>Details of the composition and activities of the BAC are set out in the BAC Report on page 64 to page 66 of the Annual Report 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 8.2

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>The BAC comprises of 3 members, all of whom are INEDs and none is former key audit partners. The TOR of the BAC is available at DRB-HICOM's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p> <p>The Board has been practicing and adopting Practice 8.2 of the MCCG "<i>Any former key audit partner must have observed a cooling-off period of at least 2 years before one is eligible for appointment as BAC member</i>".</p> <p>The Board had at its Board meetings held on 31 May 2018 revised the TOR of the BAC with the inclusion of the requirement of a cooling off period of at least two (2) years before a former key audit partner can be appointed as a member of the BAC.</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 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>As recommended under the MCCG, the Board had on 31 May 2018, established the External Auditors Policy which is available on the Company's website at <a href="http://www.drb-hicom.com">www.drb-hicom.com</a>.</p> <p>The BAC reviews the proposed re-appointment of the external auditor of the Group and the audit fees on annual basis to ensure that the independence of the external auditor is not compromised.</p> <p>The BAC had conducted an annual assessment on the suitability and independence of the external auditors by self-assessment methodology via completion of a customised questionnaire. Upon satisfactory assessment of the effectiveness of the external auditors, the BAC will recommend their re-appointment and fees payable in respect of their scope of work to the Board for approval.</p> <p>The external auditors of the Group, Messrs. Ernst &amp; Young have provided written confirmation of their team's independence when presenting the audit planning memorandum as well as upon completion of the audit in accordance with the firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.</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>	:	The BAC of the Company comprises wholly of INEDs, as follows:-  a. Datuk Ooi Teik Huat b. Dato' Ibrahim bin Taib c. Datuk Idris bin Abdullah.

## 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 Chairman and members of the BAC are financially literate, and they have carried out their duties in accordance with the TOR of the BAC.</p> <p>All members of the BAC had undertaken continuous professional development to keep themselves abreast of relevant developments in the accounting and auditing standards, practices and rules. Details of the training programmes attended by the BAC members are set out on pages 33 and 34 of this CG Report.</p> <p>The BAC would be briefed by the External Auditors on the relevant changes made to the financial reporting standards at the BAC meeting.</p> <p>The Board through the BNRC, will assess the performance of the BAC and its members and review the terms of office of the BAC members through the annual Board Committee effectiveness evaluation exercise.</p> <p>The review of the composition of the BAC is conducted annually simultaneously with the Board Committee effectiveness</p>

	<p>evaluation in accordance with Paragraph 15.20 of the MMLR of Bursa Malaysia.</p> <p>The detailed report of the BAC's activities for the FYE 31 March 2018 is set out in the BAC Report contained in the Annual Report 2018 of the Company.</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

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 Board of Directors of DRB-HICOM Berhad is responsible for the adequacy and effectiveness of the Group's Risk Management and internal control system.</p> <p>The Board acknowledges the presence of a sound system of internal control in safeguarding the shareholders' investments, the Group's assets and other stakeholders' interests as well as ensuring compliance with applicable laws and regulations.</p> <p>The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying, assessing, monitoring and reporting risks and internal control as well as taking proper actions to address the risks.</p> <p>The Group has put in place an Enterprise Risk Management framework which is based on the ISO 31000:2009 – Risk Management Principles and Guidelines. The ISO 31000 was codified by the International Organisation for Standardisation; which provides the principles and generic guidelines on risk management.</p> <p>BRSC oversees the implementation of the framework and it is periodically reviewed by the RMC, chaired by GMD.</p> <p>One of the key features of the Risk Management framework is the categorization of risks into 9 clusters i.e Market &amp; Business</p>

	<p>Risk, Strategic Risk, Operational Risk, Reputational Risk, Information Risk, Financial Risk, Organisational Risk, Regulatory Risk and Fraud Risk. This risk categorization, would serve as a standard for DRB HICOM's Group of companies to identify and measure their relevant risks.</p> <p>Further details on the Risk Management framework are provided on page 74 to page 79 of the Annual Report 2018 of the Company.</p> <p>The Risk Management and control systems are subject to continuous review and improvement to ensure that they are sufficiently capable of responding to changes in the risk profiles and remain aligned with the Group's business strategy.</p> <p>Concurrently, the Group has established policies and procedures to govern the various group processes. This would ensure consistency in the practice whilst providing guidance and direction for proper management and governance of the operations and business activities within the Group.</p> <p>The Policies and procedures are subject to periodic review, revision, validation and approval.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## Intended Outcome

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 Board is responsible in overseeing the identification of the Group's key risks and establishment of appropriate internal controls to ensure that the obligations to the shareholders and other stakeholders are met. The Board is also responsible to oversee sustainability related matters and ensure that it is integrated within the key business areas in ensuring the collective achievement of the sustainability goals across the Group.</p> <p>The above functions of the Board are delegated to the BRSC, which is supported by the RMC, chaired by the GMD.</p> <p>The Board through the BRSC, is entrusted with the overall responsibility for overseeing the Risk Management activities of DRB-HICOM and approving appropriate Risk Management procedures and measurement methodologies across the Group as outlined in the Group management policy of DRB-HICOM Berhad as well as sustainability Reporting Guidelines prescribed by Bursa Malaysia.</p> <p>The BRSC is also responsible for periodic reporting of the Group's significant risk exposures and emerging risks to the Board.</p>

	<p>The RMC reviews and presents the identified key risks and action items to the BRSC on a quarterly basis prior to submission to the Board. During the BRSC meeting, the Committee discussed the Group's consolidated risk report, key strategic risks of subsidiaries with mitigating plans laid out, outlook of the various business sectors, concerns of the Group and matters arising therefrom. The BRSC also deliberated on the effectiveness of key action items and timelines proposed by the subsidiaries.</p> <p>The RMC must keep abreast with the emerging risks that could adversely affect the Group in achieving its objectives. Emerging risks such as cyber-security risks are being discussed as an additional agenda during the RMC and BRSC meetings.</p> <p>Further details on the effectiveness of Risk Management and Internal Controls are provided in the Statement on Risk Management and Internal Control on page 74 to page 79 and page 59 to page 60 respectively of the Annual Report 2018 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

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>	:	The BRSC comprises of two (2) INEDs and one (1) NINED, as follows:-  a. Datuk Idris bin Abdullah @ Das Murthy (INED) b. Datuk Ooi Teik Huat (INED) c. Dato Siti Fatimah binti Daud (NINED)

## 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 has established an in-house internal audit function for DRB-HICOM Berhad. The GIAD's primary responsibility is to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall internal control system, Risk Management and governance process.</p> <p>The Head of GIAD reports directly to the BAC on a functional basis and to the GMD administratively. The Group companies which are listed or regulated by Bank Negara Malaysia through Islamic Financial Services Act 2013 are under the purview of the BAC and internal audit functions of the respective companies.</p> <p>The BAC reviewed the internal audit reports presented by GIAD at each BAC Meeting held throughout the financial year. This includes review on the Division's activities with respect to:-</p> <ul style="list-style-type: none"><li>▪ Status of audit activities as compared to the approved Annual Audit Plan;</li><li>▪ Results of the scheduled, follow-ups, investigative and special audits;</li><li>▪ Adequacy of the Management's responsiveness to the audit findings and recommendations;</li><li>▪ Status of the Internal Audit's Quality Assurance and Improvement Programme; and</li></ul>

	<ul style="list-style-type: none"> <li>▪ Adequacy of the audit resources, training and development of the staff within the Division.</li> </ul> <p>In the course of the financial year 2017/2018, the BAC held two (2) private meetings with the Head of GIAD to review and discuss the Group's key internal controls and internal audit related matters.</p> <p>The BAC approves the GIAD's Annual Audit Plan, financial budget and manpower requirements, to ensure that the function is adequately resourced with competent and proficient internal auditors.</p> <p>The BAC also performs annual evaluation on the GIAD in accordance to Paragraph 15.12(e) of the MMLR of Bursa Malaysia. Amongst the important areas in evaluating the GIAD's performance are:-</p> <ul style="list-style-type: none"> <li>▪ GIAD's understanding of the businesses and the peculiarities of the industries which the Company and its subsidiaries operate;</li> <li>▪ The sufficiency of GIAD's manpower, budget and competency to carry out its work; and</li> <li>▪ The effectiveness of the follow-up process by GIAD to ensure closure of the audit issues raised.</li> </ul>
<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 purpose, authority and responsibility of GIAD are reflected in the Internal Audit Charter approved by the BAC.</p> <p>As guided by the Internal Audit Charter, GIAD has no operational responsibility and authority over the activities of its audits in order to maintain its independence and objectivity.</p> <p>As of 1 March 2018, the total staff strength in GIAD was 39 staff inclusive of the internal audit staff of PROTON Holdings Berhad as summarised below:-</p> <table border="1"><thead><tr><th>No</th><th>Entity</th><th>Manpower as at 1 March 2018</th></tr></thead><tbody><tr><td>1</td><td>DRB-HICOM Berhad</td><td>20</td></tr><tr><td>2</td><td>PROTON Holdings Berhad</td><td>19</td></tr></tbody></table> <p>The Head of GIAD is Abdul Jamil Johari. He holds a Degree in Bachelor of Laws from the University of Wales, Cardiff in 1995 and certificate of Legal Practice.</p> <p>GIAD is a corporate member of the Institute of Internal Auditors Malaysia and majority of its staff are auditors with professional qualifications such as Certified Internal Auditor (“CIA”), Certified Fraud Examiner (“CFE”), Certified Information System Auditor (“CISA”), Chartered Certified Accountant (“ACCA”) and Chartered Accountant Malaysia (“C.A (M)”).</p>	No	Entity	Manpower as at 1 March 2018	1	DRB-HICOM Berhad	20	2	PROTON Holdings Berhad	19
No	Entity	Manpower as at 1 March 2018									
1	DRB-HICOM Berhad	20									
2	PROTON Holdings Berhad	19									

	<p>GIAD adopts a risk-based approach as part of its audit planning and execution with focus on significant identified risks and effectiveness of the controls in mitigating the risks. In performing the audit engagements, GIAD is guided by the Institute of Internal Auditors' International Professional Practice Framework ("IPPF") which includes the definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.</p> <p>GIAD is also guided by the internal policies, procedures and the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission ("COSO") and Control Objectives for Information and Related Technology ("COBIT").</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 Board acknowledges the importance of continuous and effective communication with the Company's shareholders, investors and other stakeholders.</p> <p>In line with the regulations, the Group has been communicating with the stakeholders and investors through the release of announcements to Bursa Malaysia on all material developments within the Company and its subsidiaries. This would include quarterly results, annual results, significant acquisition and disposal of assets, annual general meetings and extraordinary general meetings, when required.</p> <p>The Company has established an Investor Relations Department, a dedicated channel to response to any enquiries from the Investors and Stakeholders. Queries on the Company and its subsidiaries may be channelled to:-</p> <p>Norli binti Dollah Manager, Investor Relations Tel : 03-2052 8194/8942 Fax : 03-20528228 E-mail : invest@drb-hicom.com</p> <p>The activities undertaken by the Investor Relations Department during the FY2018/2017 were as outlined on page 24 to page 28 of the Annual Report 2018 of the Company.</p>

	<p>At general meetings of the Company, the shareholders have direct access to the Directors and the floor is opened to all shareholders to raise questions and seek information from the members of the Board on the Company's financial year performance, activities and any concerns regarding the Company.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

There is 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>	:	<p>The Company continuously enhances its annual report in order to improve its communication with its stakeholders with regards to the Company's financial results, business performance and operations.</p> <p>Currently, the information disclosed in the Annual Report 2018 of the Company is in line with the fundamental elements which underpin integrated reporting and include the Company's strategy, governance, performance and prospects.</p>		
	:	<p>The Company would consider adopting integrated reporting in the future. An assessment on the methodology and a study on the framework will need to be undertake before adopting the integrated reporting.</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
<b>Measure</b>	:	The Company will keep abreast with the latest developments on integrated reporting requirements and work towards adopting the globally recognised integrated reporting.		
<b>Timeframe</b>	:	<table border="1"> <tr> <td>Others</td> <td>After determining the appropriate integrated reporting framework to be adopted by the Company.</td> </tr> </table>	Others	After determining the appropriate integrated reporting framework to be adopted by the Company.
Others	After determining the appropriate integrated reporting framework to be adopted by the Company.			

**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 Company dispatches the notice of its Annual General Meeting (“AGM”) to shareholders at least 28 days before the AGM, in advance of the 21 days requirement under the Companies Act 2016 and MMLR. The Notice of AGM outlines detailed explanations for each resolution proposed to provide clarity and to enable the shareholders to make informed decisions when exercising their voting rights during the AGM.</p> <p>An Administrative Guide will also be distributed to the shareholders together with the abridged Notice of AGM. The guide provides the shareholders with information regarding the AGM and the rights to appoint proxy(s) etc.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors attended the 27<sup>th</sup> AGM of the Company held on 30 August 2017.</p> <p>At the AGM, the GMD presented an overview of the Group's performance and key strategies to the shareholders. He provided explanations to questions raised by the shareholders/proxies.</p> <p>The Chairman of the Board encourages active participation from the shareholders during General Meetings and gives sufficient time to the shareholders to raise any issue of concerns regarding the Company and its subsidiaries.</p> <p>The Chairmen of the respective Committees are usually present at AGM to provide responses and clarifications to the questions directed to them by the shareholders.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	: Departure
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	<p>The Board is of the view that the proposed voting in absentia has not been proven in terms of technology security and reliability.</p> <p>The Company has since 2006, held its AGM at Holiday Inn Kuala Lumpur Glenmarie, No. 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan which is easily accessible by Light Rail Transit (LRT) at CGC Glenmarie and with free parking provided at the premises. The Company also provides free shuttle service from CGC Glenmarie LRT to Holiday Inn Kuala Lumpur Glenmarie to the shareholders using the LRT.</p> <p>The Company has since 2016, adopted the electronic poll voting system for its AGM in line with the MMLR of Bursa Malaysia. This is to facilitate a more efficient voting process as well as ensuring transparency and accuracy of the voting results.</p> <p>The Shareholders are allowed to appoint corporate representative(s) or proxy (ies) to attend, speak and vote on their behalf at AGM.</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>	: The Board will monitor development of this practice in the market and the availability of suitable voting system(s) to facilitate voting

	in absentia and remote participation by the shareholders.	
<b>Timeframe</b>	:	Others Upon the availability of such technology in the market, the Company will then consider to adopt Practice 12.2 as recommended by MCCG.

**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.*

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