

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1619
COMPANY NAME : DRB-HICOM BERHAD
FINANCIAL YEAR : March 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

Application	: Applied
Explanation on application of the practice	<p>During the Financial Year Ended 31 March 2019 ("FYE 2019"), the Board, in line with the following responsibilities as contained in its Board Charter have discharged its responsibilities in meeting the objectives and goals of DRB-HICOM Berhad ("DRB-HICOM or the Company") and these responsibilities are outlined in the Board Charter of the Company which is available on the Company's website at www.drb-hicom.com:</p> <p>i. <u>Adopting and reviewing the strategic plan for the Company</u></p> <p>The Board had in March 2018, approved the Group's Annual Management Plan ("AMP") for FYE 2019 inclusive of the Group's strategic review, current and future corporate exercises within the Group, key strategic initiatives at the Group level and respective business segments under the Group, current year financial results in comparison to past five years, Group's road map and four years projection of financial performance of the Group. The Group adopted a structured and systematic approach in the preparation and approval process of the AMP for the companies within the Group. The Corporate Office had provided guidance and consultation, and had thoroughly reviewed and challenged the AMP of the subsidiary companies prior to presentation to the Board.</p> <p>The Board reviewed and approved the corporate key performance indicators ("KPIs") of the Group as a measure to monitor the Group's performance against the targets. This would ensure the financial performance and the businesses of the Group are properly managed and the shareholders' values are safeguarded.</p> <p>The Board also consistently reviewed the Company's funding</p>

requirements and treasury matters 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 adopts high integrity culture and embrace ethical conduct within the Group, leading by example to avoid improper use of information, conflict of interests, secret profit and any other unethical conduct within the Group.

The Board has full and effective control of the Group's performance 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.

The Board approved a framework on Limits of Authority ("LOA") which reflects the flow of approval authority of the Board, Board Committees and the respective Senior Management. This is to ensure that an optimum structure for efficient and effective decision-making is in place. The LOA is reviewed as and when required according to the circumstances and operational requirements of the Company.

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

The Board is responsible for reviewing principal risks, establishing appropriate controls and action plans 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 & Sustainability Committee ("BRSC"), which is supported by the Group Risk Management Committee chaired by the Group Managing Director ("GMD").

The Board oversees the risk management activities and processes of the Group through the BRSC. The BRSC also oversees the formulation of relevant risk management policies and risk measurement parameters across the Group and makes the appropriate risk management recommendations to the Board for 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 2019.

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

The Board is guided by the recommendations of the Malaysian Code on Corporate Governance ("MCCG") and the requirements of 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, in determining the succession planning for Board members.

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 of Grade 12 and above. Under its Terms of Reference ("TOR"), BNRC is to ensure that all candidates appointed to these positions are of sufficient calibre and competence. In this respect, the factors considered by the BNRC include the candidates' profiles, achievements, personalities and suitability for the respective positions. The Board is responsible to approve the remuneration of the GMD and other Senior Management personnel of Grade 12 and above upon recommendation by the BNRC.

DRB-HICOM continued with its Group Talent Management Programme which was introduced to ensure the 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 include mentoring and coaching.

In the FYE 2019, the Board has considered and approved a number of changes to the directorate of subsidiary companies as well as the appointments and promotions of Senior Management of the Group.

Details of the activities undertaken by the BNRC for the FYE 2019 are set out on page 029 of the Corporate Governance ("CG") Report.

v. Developing and implementing an Investor Relations programme or shareholders 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 by the Board to handle IR and communications with the stakeholders. The key IR initiatives undertaken by the Company during the financial year are set out in the IR segment in the Annual Report 2019.

The Group maintains a website at www.drb-hicom.com which can be accessed conveniently by the shareholders, potential investors and the general public so as to ensure effective and timely dissemination of information.

The Company’s Corporate Disclosure Policy which is in line with the Corporate Disclosure Guide issued by Bursa Malaysia provides guidance to the Board, Management, Officers and employees on disclosure requirements of Bursa Malaysia. This facilitates the enhancement of the Company’s compliance, accountability and timely disclosures of relevant information to all stakeholders.

The Corporate Disclosure Policy of the Company is available on the Company’s website at 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 Board Audit Committee (“BAC”) reviews the effectiveness of the internal control system of the Group 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.

Legal and regulatory compliance of the Group are under the responsibilities of the Secretarial and Legal Affairs Division, and Corporate Planning Division. The Group Internal Audit Division (“GIAD”) presents 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

	<p>and rectify the issues highlighted.</p> <p>In FYE 2019, the BAC and the Board reviewed the report on the internal control matters of the Group highlighted by the External Auditors and discussed the recommendations for improvements on controls and procedures. In addition, the BAC and the Board also reviewed the summary of the overall assessment conducted by the External Auditors 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>Explanation for departure</p>	<p>:</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>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman is responsible to ensure the integrity and effectiveness of the governance process of the Board. The Chairman consults the Board promptly over any matter that gives him a cause for major concern. He is also 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 ensures positive discussions throughout the meetings. He ensures that appropriate discussions take place and relevant opinions among the Board Members are forthcoming that results in logical and understandable outcomes. The Chairman encourages healthy debate on issues raised at meetings.</p> <p>The overall business and day-to-day operations of the Group is managed by the GMD. GMD is accountable to the Board for the overall organisation, management and staffing of the Group and for its procedures in financial and operational matters, including conduct and discipline. The authority limits of the GMD are stipulated in the Company's LOA duly approved by the Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The position of Chairman and GMD of the Company are held by two different individuals. The Chairman is Dato' Mohammad Zainal Shaari and the GMD is Dato' Sri Syed Faisal Albar Syed A.R Albar. Their profiles are provided on page 043 and 044 of the Annual Report 2019.</p> <p>The key roles of the Chairman and GMD are separated, and the distinct and separate roles and responsibilities of the Chairman and GMD are provided in the Board Charter, which is accessible on DRB-HICOM's website at www.drb-hicom.com.</p> <p>There is a clear division of responsibilities between the Chairman and GMD to ensure that there is a balance of power and authority such that no one individual has unfettered powers over decision-making. The Chairman is responsible for representing the Board to the Shareholders and is also responsible for ensuring the integrity and effectiveness of the governance process of the Board. The overall business and day-to-day operations of the Group is managed by GMD. The GMD is accountable to the Board for the achievement of the Company's goals, updates the Board as well as communicating matters relating to the Group's business affairs and issues to the Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	: Applied
Explanation on application of the practice	<p>The Board is supported by the Company Secretary who was a practising lawyer specialising in corporate and commercial law and has approximately 28 years vast experience in the corporate secretarial field. Details of the Company Secretary's Profile are set out on page 055 of the Annual Report 2019.</p> <p>Sabarina Laila Mohd Hashim, as the Company Secretary is a licensed secretary registered with Companies Commission of Malaysia and is qualified to act as the Company Secretary under Section 235 of the Companies Act 2016 ("CA 2016"). She has also complied with the requirement of Section 241 of the CA 2016 to register for Practicing Certificate with the Registrar. She is also an Affiliate of The Malaysian Institute of Chartered Secretaries and Administrators.</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>During FYE 2019, the Company Secretary had attended several courses, trainings, and conferences conducted by relevant bodies such as Companies Commission of Malaysia and The Malaysian Institute of Chartered Secretaries and Administrators on company secretarial matters.</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.</p> <p>The Company Secretary manages the processes and attends all Board and Board Committee meetings and ensures that deliberations at these meetings are accurately documented and relevant actions are 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 for proper upkeep of statutory registers and records of the</p>

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

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The meetings of the Board and Board Committees for the ensuing calendar year are scheduled in advance before the end of each calendar year for proper planning by the Board members.</p> <p>It is a practice for the Notices of Board meetings to be issued to the Board members at least 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 working days prior to the meeting date to allow sufficient time for the Directors to review and evaluate the matters to be deliberated at the respective meetings.</p> <p>The Chairman alongside the Company Secretary and the GMD plans the meeting agenda in advance so that the Board can perform its responsibilities effectively. The Company had established a structured format for the Board papers to be presented to the Board to ease the review process by Board members before the Meeting.</p> <p>The Board and Board Committees' decisions and action items are communicated to the Management within two to three days after each meeting for appropriate action. The Company Secretary will follow up with the Management on the status of actions to be taken for the relevant action items which will be tabled to the Board at the next meeting accordingly.</p> <p>The minutes of the meetings are prepared to include amongst others, pertinent issues, the substance of enquiries and responses, recommendations and decisions made by the Board/Board Committees. The draft minutes are circulated to the Chairman and Board members for verification in a timely manner.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's Board Charter which is available on the Company's website at www.drb-hicom.com clearly sets out the duties, roles and responsibilities of the Board, Board Committees, individual Directors, Chairman, GMD and Company Secretary. It provides reference for the Directors in relation to the Board's roles, powers, duties and functions. It outlines processes and procedures for the Board and its committees in discharging their stewardship.</p> <p>The Board Charter adopts principles of good governance and is designed to maximise the Company's adoption of the best practice requirements. The Board Charter is reviewed as and when necessary to ensure it remains consistent with the Board's objectives, responsibilities, and all the relevant standards of corporate governance, and is updated from time to time to align with regulatory changes.</p> <p>The Board Charter was last reviewed and updated by the Board on 31 May 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors observe the Directors' Code of Ethics and Business Practice established by the Company in carrying out their fiduciary duties and responsibilities. It sets out the principles that the Directors need to observe among others, conflict of interests 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 Code of Ethics and Business Practice of the Company is available on the Company's website at www.drb-hicom.com.</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 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's 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 and systematic procedures to identify conflict or any potential conflict of interests within the Group.</p> <p>The Directors and Senior Management were notified periodically of the closed periods which reminded them not to deal in the securities of the Company as long as they are in possession of price-sensitive information.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>DRB-HICOM has in place a Whistleblower Policy (“Policy”) since 2006 which outlines the Group’s commitment towards enabling employees and other stakeholders to raise concerns in a responsible manner regarding any wrongdoings or malpractices without being victimised or discriminated treatment, and to have such concerns properly investigated.</p> <p>All disclosures made under the Policy will be dealt with strict confidentiality. It will be the task of GIAD or any other assigned investigating party appointed by the Board to assess, investigate and report on the complaints or concerns raised.</p> <p>The Policy and its disclosure procedures are accessible to the public for reference on the Company’s website at www.drb-hicom.com. Disclosures could be made through any of the following reporting channels:</p> <ol style="list-style-type: none">1. Complaints or reports on allegations of wrongdoings or any improper activity can be made through the Whistleblower Hotline at 1-800-88-2005.2. Email the complaints or reports to whistleblowing@drb-hicom.com3. In writing to one or more of the following persons within the Company:<ol style="list-style-type: none">a. BAC Chairman;b. GMD;c. Group Chief Executives; ord. Head of GIAD.4. Complaints against the GMD, Director or Senior Management of the Company can be made directly to the BAC Chairman.

	<p>The Company has introduced the Whistleblower Policy Brochure (“Brochure”) as an effort to create better awareness of the Policy. The Brochure is available in English and Malay languages. The Brochure was disseminated via email blast and hard copies of the same were also distributed by Group Human Capital as part of the awareness programme on the Policy.</p> <p>All operating companies are encouraged to prominently display the Policy brochures, posters and buntings at common areas and at notice boards.</p> <p>The Policy is available on the Company’s website at www.drb-hicom.com.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Presently, the Board has eight members, comprising four Independent Non-Executive Directors (“INED”), one Executive Director and three Non-Independent Non-Executive Directors (“NINED”). The four INEDs are as follows:</p> <ul style="list-style-type: none">i. Datuk Ooi Teik Huat;ii. Dato’ Ibrahim Taib;iii. Datuk Idris Abdullah @ Das Murthy; andiv. Tee Beng Thong. <p>All the four INEDs satisfy the independence criteria of the MMLR prior to their appointment as Directors. In addition, the INEDs re-affirm their independence on an annual basis.</p> <p>The Company has complied with the MMLR which requires one-third of the membership of the Board to be Independent. The Board takes cognisance of Practice 4.1 of the MCCG, 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 present Board composition to be effective in decision making at the Board level where independent deliberation is being upheld with the presence of the four INEDs at the Board where the views of Independent Directors are being highly regarded. The Board will continue its effort in sourcing for suitable candidates for appointment as additional Independent Directors of the Company.</p> <p>The Board’s decision making is not dominated by any individual or group of individuals. 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 annually by way of self-assessment through the Board Effectiveness Assessment Form by completing the Independence of Independent Director Section, to ensure that the INEDs are independent 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 interests of the Company.</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 29th Annual General Meeting (“AGM”) of the Company have 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 2019.</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>Measure</p>	<p>:</p>	<p>The current Board composition is believed to be adequate for making objective judgement and decision in the best interests of the Company taking into account diverse perspectives and insights of the Board members.</p> <p>The Board reviews the composition of the Board to ensure an appropriate balance in terms of skills and experience of the Directors from time to time, and as and when the need arises.</p> <p>The independence of the Independent Directors is reviewed on an annual basis via Board Evaluation Assessment process.</p>
<p>Timeframe</p>	<p>:</p>	<p>Within 2 years</p>

Intended Outcome

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

Practice 4.2

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

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

Application	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>Datuk Ooi Teik Huat, the Senior INED of the Company, has exceeded the cumulative term of nine years and had, at the 28th AGM of the Company via shareholders' approval, been retained as INED of the Company until the conclusion of the 29th AGM.</p> <p>The Board on the recommendation from the BNRC had on 30 May 2019, agreed to seek the shareholders' approval at the 29th AGM to retain Datuk Ooi Teik Huat as INED of the Company until the conclusion of the next AGM.</p> <p>Based on the annual assessment on independence of the INED conducted, Datuk Ooi Teik Huat has continued to display the highest level of integrity and all characteristics of an Independent Director based on the following justifications:</p> <ol style="list-style-type: none">i. He fulfils the criteria as Independent Director as prescribed under the MMLR and is able to exercise independent and objective judgement.ii. He has complied with the Company's independence policies of code of conduct/ethics without any breaches based on the result of the Annual Assessment carried out for the FYE 2019.iii. He possesses sufficient self-esteem and confidence to stand up for independent view and tackles conflicts as well as takes an active part in proposing solutions.iv. He approached any transaction that requires the Board's approval with an inquiring mind and provided constructive deliberations at Board and/or Board Committee Meetings, where necessary.v. He was not afraid to express dissenting opinion on issues or express disagreement on matters and he actively pursues

	<p>them with the rest of the Board members and with the Management team.</p> <p>vi. He does not shy away from asking hard and thorough questions during the Board's deliberations and is willing to delve deeper if the responses provided were not satisfactory.</p> <p>The Company will be seeking the shareholders' approval at the forthcoming 29th AGM of the Company scheduled for 12 September 2019 to retain Datuk Ooi Teik Huat as an Independent Director.</p> <p>None of the Independent Directors have served more than 12 years.</p>	
<p>Explanation for departure :</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>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board 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 interests of the Company. There is a formal and transparent policies and procedures for the appointment of new Directors (including re-election/re-appointment) of the Company and the Group as detailed in the Board Charter. The BNRC is guided by the Board Charter and its TOR in the nomination, selection and appointment process.</p> <p>The BNRC is responsible for reviewing and recommending to the Board any new appointment of Director and that appointment is based on merit, skills and experience with due regard to the requirements of Chapter 2, Paragraph 2.20A of the MMLR of Bursa Malaysia.</p> <p>In evaluating the suitability of individuals for appointment of Board membership, the BNRC considers the requisite mix of skills, knowledge, expertise, experience, professionalism, integrity, capabilities, time commitment, number of directorships, and composition requirements for the Board and Board Committees as priority to ensure that there is an appropriate mix of diversity, skills, experience and expertise represented on the Board.</p> <p>Diversity of gender, ethnicity and age within the Board is also important, and this includes appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition and functions. The Board takes cognisance of board diversity whenever a vacancy arises to ensure a balanced and diverse Board composition.</p> <p>Appointments of GMD and other Senior Management are also based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.</p> <p>The Board will seek recommendation/referral from the existing Directors and other alternative means to source and nominate suitable candidates for appointment as Directors to fill the Board vacancies or to complement the existing Board. The BNRC will evaluate the suitability of the identified candidates based on the criteria set and make the necessary recommendation to the Board for</p>

	<p>approval.</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 strategies, the structure and management of the Group.</p> <p>The responsibility of ensuring that statutory 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.</p> <p>The disclosures on Board skills and experience, diversity and appointment are tabulated in the CG Overview Statement of the Annual Report 2019.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board currently comprises eight Directors, of whom two are women or 25% female representation on the Board.</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 the priority. 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 whenever a vacancy arises.</p> <p>The current Board composition has a good mix of the industry-specific knowledge, broad business sense and commercial experience. This enables the Board to fulfil its oversight responsibilities, provide clear and effective leaderships in many aspects of the Group's strategies and performances as well as to ensure that the highest standards of professionalism, conduct, transparency and integrity are maintained by the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	As the current Board composition has been effective for the Company, the Board will consider the appointment of additional women Director whenever a vacancy arises
Timeframe	:	Others
		As and when a 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a formal and transparent procedure on the appointment of Directors to the Board. The policies and procedures for recruitment or appointment (including re-election/reappointment) of Directors are outlined in the Board Charter.</p> <p>The Board considers candidates from all sources to identify suitable candidates to complement the existing Board composition including from the existing Directors, major shareholders and a wide network of industry contacts including independent sources where required, to source and nominate suitable candidates for appointment as Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Dato' Mohammad Zainal Shaari, the Chairman / Non-Independent Non-Executive Director of the Company, is also the Chairman of the BNRC.</p> <p>The appointment of Dato' Mohammad Zainal Shaari as the Chairman of the BNRC was based on his vast experience in Audit, Accounting, Finance, and relevant industries under the Group, Legal, Leadership, Corporate Governance, Due Diligence, Corporate Strategy, Human Capital, Financial Investigations, Investment Management & Monitoring, Corporate Finance, Risk Management and Merger & Acquisition.</p> <p>The Board is of the view that the most important consideration in the leadership of the BNRC is the quality and valuable experience of the candidate who chairs the Committee.</p> <p>Dato' Mohammad Zainal Shaari is a meticulous person who upholds good corporate governance practices. He emphasises a lot on due processes and procedures especially strict adherence 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 is able to lead and is unbiased in his stewardships to protect the interests of the Company and its shareholders. Dato' Mohammad Zainal Shaari's profile is set out on page 043 of the Annual Report 2019 of the Company.</p> <p>The remaining members of the BNRC are:</p> <ul style="list-style-type: none">i. Datuk Ooi Teik Huat – Senior INED; andii. Dato' Idris Abdullah @ Das Murthy – INED. <p>Among the activities undertaken by the BNRC during the FYE 2019 were as follows:</p> <ul style="list-style-type: none">i. Considered and recommended the appointment of new Directors for its key subsidiary and associated companies.

	<ul style="list-style-type: none"> ii. Considered and recommended the Directors who were eligible for re-election and re-appointment at the 28th AGM as well as an Independent Director whose terms of office had exceeded nine years to be retained as an Independent Director pursuant to MCCG. iii. Reviewed the structure, size, balance and composition of the Board and its Committees. iv. Conducted the annual assessment on the effectiveness of the Board and its Committees as well as the contribution of each Director. v. Reviewed the terms of office and performance of BAC and each of its members. vi. Conducted the annual assessment of the independence of the Independent Directors. vii. Reviewed the training programmes attended by the Directors to ensure that all Directors received appropriate continuous training. viii. Evaluated the KPIs achievements of the GMD and Senior Management personnel of Grade 12 and above for the FYE 31 March 2018 and recommended their performance bonuses. ix. Considered and recommended the annual increment for the GMD and Senior Management personnel of Grade 12 and above for the FYE 2019. x. Considered and recommended the succession planning for Senior Management positions in the Company. <p>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.</p> <p>The Board took cognisance of the MCCG’s recommendation for the BNRC to be chaired by an Independent Director or the Senior Independent Director and to apply the same should a suitable candidate be identified by the Board.</p>
	<p>The Board will ensure that the intended outcome of Practice 4.7 of MCCG is achieved as the BNRC consists of majority of INEDs which allows for robust discussion and constructive assessment of the matter presented to the BNRC.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:	In overseeing the performance of the Directors, Senior Management and other specific Human Resource matters of the Group and to ensure decisions are made objectively in the best interests of the Company, the Board will ensure that the BNRC maintains its independence and objectivity in discharging its responsibility.	
Timeframe	:	Others	As and when Board identified a more suitable candidate.

Intended Outcome

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

Practice 5.1

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The TOR of the BNRC stipulates that the BNRC is to evaluate on an annual basis, the effectiveness of the Board as a whole, the Board Committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees by identifying gaps, maximising strengths and addressing weaknesses.</p> <p>The annual assessment of the Board, Board Committees and individual Directors for the FYE 2019 was conducted by the Company Secretary on behalf of the BNRC by way of self-assessment methodology whereby customised questionnaires were provided to all Directors of the Company for completion. Areas of evaluation covered the effectiveness of the Board, fit and proper criteria of individual Director, Board skills matrix, independence of Independent Directors, effectiveness of the BAC and others.</p> <p>Based on the evaluation assessment of the Board and its Committees, the BNRC and the Board are satisfied that all members of the Board are suitably qualified as their respective competence, character, integrity, qualifications and experience provide the Board with a good mix of governmental and industry-specific knowledge, broad business sense and commercial experience. The BNRC is also 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 overall performance of the Board and Board Committees for the FYE 2019 was rated satisfactory.</p> <p>The Board took cognisance 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>

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

Measure	:	Based on the result of the Board Evaluation Assessment of the Board and Board Committees for the FYE 2019, there was no adverse findings and the overall performance of the Board and Board Committees was rated satisfactory.	
Timeframe	:	Others	<p>Within two 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.

Application	: Applied																	
Explanation on application of the practice	<p>The Board has in place remuneration policies in determining the remuneration of the Directors, GMD and Senior Management. It is designed to attract and retain Directors of the right calibre, experience and quality needed to drive and manage the business strategy and objectives of the Company.</p> <p>The Board, with the assistance of the BNRC, reviews the overall remuneration policy of the NEDs, GMD and Senior Management. The remuneration policy aims to attract, retain and motivate Directors and executives who will create sustainable value and returns for the Members of the Company and other stakeholders. There is a clear distinction between the remuneration structure of the NEDs, GMD and the Senior Management.</p> <p><u>Remuneration for NEDs</u></p> <p>The meeting allowances are paid to the NEDs for every Board and Board Committee meetings that they had attended and the Company also reimburse reasonable expenses incurred by the NEDs in the course of their duties.</p> <p>The Directors' fees and meeting allowances for NEDs for the FYE 2019 are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Board/Board Committee</th> <th colspan="2">Directors' fees (RM)</th> </tr> <tr> <th>Chairman</th> <th>Members</th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>140,000</td> <td>90,000</td> </tr> <tr> <td>BAC</td> <td>18,000</td> <td>12,000</td> </tr> <tr> <td>BNRC</td> <td>10,000</td> <td>8,000</td> </tr> <tr> <td>BRSC</td> <td>10,000</td> <td>8,000</td> </tr> </tbody> </table>	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
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																

Type of meeting	Allowance per meeting (RM)
Board	1,500
BAC	3,000
BNRC	1,500
BRSC	1,500
General Meeting	1,500

The Directors' fees and benefits are subject to shareholders' approval at the Company's AGM pursuant to Section 230(1) of the CA 2016.

At the 28th AGM of the Company, the Company had obtained the shareholders' approval on the payment of Directors' fees and benefits payable to the NEDs from the conclusion of the 28th AGM until the next AGM i.e. 29th AGM.

Following the above approval, the Company had made 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 subsidiary companies throughout the period.

The Board with the recommendation by BNRC, will consider and approve from time to time the expansion of the remuneration of NEDs in line with the market rate, fair and reasonable for recommendation to the shareholders for approval. Besides the remuneration of the NEDs, the Board is also mindful that fair remuneration is critical to attract, retain and motivate the other individuals serving as members of the functional Board of the subsidiary companies.

GMD and Senior Management Remuneration

The remuneration and terms of employment for the GMD and Senior Management are determined and recommended based on the policy framework set by the BNRC.

The criteria being considered in determining the GMD's remuneration includes, but not limited to, performance of the GMD, the consumer price index and information from independent sources, rates and packages from similar positions in selected group of comparable companies, KPIs' achievement, financial performance and shareholders' value of the Company.

Performance-based bonuses are strictly tied to the achievement of the KPIs and hence promotes additional effort and initiatives beyond the KPI targets of the GMD and Senior Management personnel.

The BNRC as well as the Board will assess the performance of the 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. The proposed remuneration for Senior Management will take into

	<p>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> <p>The BNRC reviews the Group remuneration policy from time to time whenever necessary to ensure its effectiveness.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BNRC comprises three NEDs, two of whom are Independent.</p> <p>The BNRC is also entrusted by the Board to implement policies and procedures on matters relating to the remuneration of the Board, GMD and the Senior Management as illustrated in Practice 6.1.</p> <p>The TOR of the BNRC which deals with its authority, duties and responsibilities, is contained in the Board Charter of the Company and is accessible on DRB-HICOM's website at www.drb-hicom.com.</p> <p>The BNRC meets as and when required, and at least once a year. The BNRC met two times during the FYE 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	Details of the remuneration of individual Directors of the Company for the FYE 2019 are set out on page 071 of the Annual Report 2019 of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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.

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>The Board is of the opinion that disclosing the remuneration component of Senior Management will not be in the best interests nor to the advantage of the Group considering the highly competitive employment market for talents. Talent poaching is common in the industry and the Group intends to ensure that employee retention efforts are safeguarded.</p> <p>The top five Senior Management's remuneration (including salary, bonus, allowances and other emoluments) are disclosed 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>RM1,250,000 to RM1,300,000</td> <td>1</td> </tr> <tr> <td>RM1,300,001 to RM1,350,000</td> <td>1</td> </tr> <tr> <td>RM1,950,001 to RM2,000,000</td> <td>1</td> </tr> <tr> <td>RM2,100,001 to RM2,150,000</td> <td>1</td> </tr> <tr> <td>RM3,900,001 to RM3,950,000</td> <td>1</td> </tr> </tbody> </table> <p>Currently, the performance of Senior Management personnel is assessed on an annual basis and measured against their KPIs for the year. The Board will ensure that the remuneration for the Senior Management personnel commensurate with their individual performance taking into account the Company's performance.</p>	Senior Managements' Remuneration	Number of Senior Management	RM1,250,000 to RM1,300,000	1	RM1,300,001 to RM1,350,000	1	RM1,950,001 to RM2,000,000	1	RM2,100,001 to RM2,150,000	1	RM3,900,001 to RM3,950,000	1
Senior Managements' Remuneration	Number of Senior Management													
RM1,250,000 to RM1,300,000	1													
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RM1,950,001 to RM2,000,000	1													
RM2,100,001 to RM2,150,000	1													
RM3,900,001 to RM3,950,000	1													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:	The Board will monitor the market practice and the possible implication to the best interests of the Company and the Group in respect of such disclosure.												
Timeframe	:	Others												
		The Company currently opts not to disclose the detailed remuneration of the top five Senior Management												

		<p>to avoid negative implications such as:</p> <ul style="list-style-type: none">i. Attempts by competitors to lure high performance employees.ii. Creates unnecessary dissatisfaction among the employees arising from differences in their remuneration packages.iii. Invasion of privacy and may expose the named officers to extortions attempts and other criminal act.
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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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of the BAC is Datuk Ooi Teik Huat, a Senior INED who is not the Chairman of the Board.</p> <p>Details of the composition and activities of the BAC are set out in the BAC Report on pages 081 to 085 of the Annual Report 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BAC comprises three members, and none of the members is a former key audit partners.</p> <p>The Board had at its meeting held on 31 May 2018 approved the revision to the TOR of the BAC with the inclusion of the requirement of a cooling off period of at least two years before a former key audit partner can be appointed as a member of the BAC.</p> <p>The TOR of the BAC is available on the Company’s website at www.drb-hicom.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a policy under the Board Charter to assess the suitability, objectivity and independence of the External Auditors of the Company. The said policy is available on the Company's website at www.drb-hicom.com.</p> <p>The BAC reviews the proposed re-appointment of the External Auditors of the Group and its audit fees on annual basis to ensure that the independence of the External Auditors is not compromised.</p> <p>The BAC had in April 2019 conducted an annual assessment on the suitability and independence of the External Auditors for the FYE 2019 by way of self-assessment methodology. Based on the satisfactory assessment of the effectiveness and independency of the External Auditors, Messrs. Ernst & Young, the BAC recommended for the External Auditors to be re-appointed for the FYE 31 March 2020 subject to the shareholders' approval at the 29th AGM of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The BAC of the Company comprises solely of INEDs as follows: a. Datuk Ooi Teik Huat (Chairman) b. Dato' Ibrahim Taib c. Datuk Idris Abdullah @ Das Murthy

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application :	Applied																	
Explanation on application of the practice :	<p>The Chairman and members of the BAC have discharged their duties in accordance with the TOR of the BAC. Profiles of the BAC members are set out on page 045, 047 and 048 of the Annual Report 2019.</p> <p>Continuous development had been undertaken by the BAC members to keep themselves abreast with the relevant developments in the accounting and auditing standards, practices and rules. The following training programmes have been attended by the BAC members during the FYE 2019:</p> <table border="1"><thead><tr><th>Name of Directors</th><th>Training Programmes</th><th>Organiser</th></tr></thead><tbody><tr><td rowspan="3">Datuk Ooi Teik Huat</td><td>1. Energy Transition - Trends and Opportunities</td><td>Malakoff Corporation Berhad</td></tr><tr><td>2. Energy Sector Outlook</td><td>Malakoff Corporation Berhad</td></tr><tr><td>3. Understanding Blockchain Technology and its Potential</td><td>MMC Corporation Berhad</td></tr><tr><td rowspan="3">Dato' Ibrahim Taib</td><td>1. Board Dynamic - What are the Key Essential Requirements</td><td>Malaysian Institute of Corporate Governance</td></tr><tr><td>2. Financial Institutions Director Education Programme</td><td>The Iclif Leadership and Governance Centre</td></tr><tr><td>3. Islamic Finance for Board Director</td><td>ISRA Consultancy Sdn. Bhd.</td></tr></tbody></table>	Name of Directors	Training Programmes	Organiser	Datuk Ooi Teik Huat	1. Energy Transition - Trends and Opportunities	Malakoff Corporation Berhad	2. Energy Sector Outlook	Malakoff Corporation Berhad	3. Understanding Blockchain Technology and its Potential	MMC Corporation Berhad	Dato' Ibrahim Taib	1. Board Dynamic - What are the Key Essential Requirements	Malaysian Institute of Corporate Governance	2. Financial Institutions Director Education Programme	The Iclif Leadership and Governance Centre	3. Islamic Finance for Board Director	ISRA Consultancy Sdn. Bhd.
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	Dato' Idris Abdullah @ Das Murthy	1. FinTech and the Transformation in Financial Services	Conpenhagen Business School
		2. NEM Enterprise Training	NEM Malaysia Sdn. Bhd.
		3. Cybersecurity Oversight in the Boardroom	Institute of Enterprise Risk Practitioners
		4. LSE Insights	LSE Alumni Society of Malaysia
		5. Breakfast Talk Series: Sustainability & Business	Business Council for Sustainable Development Malaysia
		6. Design Thinking for Innovation	University of Virginia
<p>In addition, 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>As recommended by the BNRC, the Board had at its meeting held on 30 May 2019 reviewed the outcome of the annual evaluation of the members of the BAC including its composition and effectiveness. The Board is satisfied with the BAC's existing performance and is of the view that, with the BAC's current mix of skills, knowledge, experience and strength, the Board and BAC are able to discharge their duties and responsibilities effectively.</p> <p>The detailed report of the BAC's activities for the FYE 2019 is set out in the BAC Report contained in the Annual Report 2019 of the Company.</p>			
Explanation for departure :			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure :			
Timeframe :			

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BRSC is responsible to assist the Board to ensure the adequacy and effectiveness of the Group's Risk Management and internal control system of the Group.</p> <p>In support to the BRSC, Management assisted 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. This also governs the various group processes in ensuring 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 Board acknowledges the importance 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>In addition, 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>The framework, policies and procedures are subject to periodic review, revision, validation and approval 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>One of the key features of the Risk Management framework is the categorisation of risks into nine clusters, namely Market & Business Risk, Strategic Risk, Operational Risk, Reputation Risk, Information Risk, Financial Risk, Organisational Risk, Regulatory Risk and Fraud Risk. This is the standard categorisation of risks for DRB-HICOM Group to identify and measure the relevant risks in the Group.</p> <p>Further details on the Risk Management framework are provided on pages 095 to 101 of the Annual Report 2019 of the Company.</p>

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

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the BRSC, is entrusted with the overall responsibility of 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 as well as Sustainability Reporting Guidelines prescribed by Bursa Malaysia.</p> <p>The BRSC which is supported by the Risk Management Committee ("RMC") is also responsible for periodic reporting of the Group's significant risk exposures and emerging risks to the Board.</p> <p>The RMC, chaired by the GMD, 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 subsidiary companies 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 subsidiary companies.</p> <p>The RMC keeps abreast with the emerging risks that could adversely affect the Group in achieving its objectives such as cyber-security which is being discussed as one of the key risk at 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 pages 075 to 080 of the Annual Report 2019 of the Company.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The BRSC of the Company comprises two INEDs and one NINED, as follows: a. Datuk Idris Abdullah @ Das Murthy (Chairman) (INED) b. Datuk Ooi Teik Huat (INED) c. Dato' Siti Fatimah 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.

Application	: Applied
Explanation on application of the practice	<p>The GIAD carries out the in-house internal audit function and is an integral part of the Company's internal control system. 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 companies under the Group which are listed or regulated by Bank Negara Malaysia are also under the purview of the BAC and the internal audit division of the respective companies.</p> <p>The BAC reviewed the internal audit reports presented by the Head of 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">i. Status of audit activities as compared to the approved Annual Audit Plan.ii. Results of the scheduled, follow-ups, investigative and special audits.iii. Adequacy of the Management's responsiveness to the audit findings and recommendations.iv. Status of the Internal Audit's Quality Assurance and Improvement Programme.v. Adequacy of the audit resources, training and development of the staff within the Division.vi. Related Party Transactions and Recurrent Related Party Transactions with the Group of companies. <p>During the FYE 2019, the BAC held two 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 GIAD's Annual Audit Plan, financial budget and manpower</p>

	<p>requirements for the ensuing year was reviewed and approved by BAC to maintain the competency and proficiency of internal auditors of the Company.</p> <p>The BAC also performs annual evaluation on the GIAD in accordance to Paragraph 15.12(e) of the MMLR of Bursa Malaysia.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied									
Explanation on application of the practice	:	<p>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, Certified Fraud Examiner, Certified Information System Auditor, a member of Association of Chartered Certified Accountants and Chartered Accountant Malaysia.</p> <p>The GIAD reports directly to the BAC to preserve its independence and objectivity. As guidance 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 31 March 2019, the total staff strength in GIAD was 35 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>GIAD's manpower as at 31 March 2019</th></tr></thead><tbody><tr><td>1</td><td>DRB-HICOM Berhad</td><td>18</td></tr><tr><td>2</td><td>PROTON Holdings Berhad</td><td>17</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 in Legal Practice.</p> <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</p>	No	Entity	GIAD's manpower as at 31 March 2019	1	DRB-HICOM Berhad	18	2	PROTON Holdings Berhad	17
No	Entity	GIAD's manpower as at 31 March 2019									
1	DRB-HICOM Berhad	18									
2	PROTON Holdings Berhad	17									

	Internal Control-Integrated Framework issued by the Committee of Sponsoring Organisation of the Treadway Commission (“COSO”) and Control Objectives for Information and Related Technology (“COBIT”).	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.1

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

Application :	Applied
Explanation on application of the practice :	<p>The Board acknowledges the importance of continuous and effective communications with the Company's shareholders, investors and other stakeholders. The Board also recognises its responsibility of being transparent and accountable to its shareholders 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 subsidiary companies. This would include quarterly results, annual results, significant acquisition and disposal of assets, annual general meeting and extraordinary general meetings, when required.</p> <p>The Company has established an Investor Relations Department, a dedicated channel to respond to any enquiries from the Investors and Stakeholders. Queries on the Company and its subsidiary companies may be channelled to:</p> <p>Norli Dollah Manager, Investor Relations Tel : 03-2052 8194/8942 Fax : 03-20528282 E-mail : invest@drb-hicom.com</p> <p>The activities undertaken by the Investor Relations Department during the FYE 2019 were outlined on pages 029 to 036 of the Annual Report 2019 of the Company.</p> <p>At the 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>
Explanation for departure :	

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board acknowledges that integrated reporting based on a global recognised framework could assist in providing the stakeholders with a comprehensive and holistic view of the business. The Company would consider adopting integrated reporting report in the future. An assessment on the methodology and a study on the framework will need to be undertaken before adopting the integrated reporting.
		Notwithstanding this, the Company is continuously enhancing its annual report in order to improve its communications with the stakeholders. Currently, the information disclosed in the Annual Report 2019 of the Company is in line with the fundamental elements which underpin integrated reporting and include the Company's strategy, governance, performance and prospects.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board, together with the Management is working towards adopting the globally recognised integrated reporting for the Company.
Timeframe	:	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.

Application	:	Applied
Explanation on application of the practice	:	<p>Notice of the 29th AGM of the Company scheduled to be held on 12 September 2019 was issued and despatched to the shareholders on 31 July 2019, 43 days before the AGM date.</p> <p>The Notice of the 29th 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 in relation to the AGM is also distributed to the shareholders together with the abridged Annual Report 2019 on 31 July 2019.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors attended the 28th AGM of the Company held on 30 August 2018.</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 and Board of Directors encourage active participation from the shareholders during General Meeting and gives sufficient time to the shareholders to raise any issue of concerns regarding the Company and its subsidiary companies and provides clear and sufficient explanation to all question raised during the General Meeting.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>DRB-HICOM has yet to facilitate voting in absentia and remote participation by shareholders at its AGMs.</p> <p>The Company has since 2006, held its AGM at Holiday Inn Kuala Lumpur Glenmarie, No. 1 Jalan Usahawan U1/8, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan which is easily accessible by Light Rail Transit ("LRT") at CGC Glenmarie 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 who are using the LRT. Since then, the AGM proceeding of the Company went well without any material issues especially on the location.</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>As an alternative, the Shareholders who are unable to attend the AGM are allowed to appoint corporate representative(s) or proxy (ies) to attend, participate, 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>		
Measure	:	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.
Timeframe	:	Others Depending on market practice and the availability of such technology in the market, the Company will then consider adopting Practice 12.3 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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