

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7595
COMPANY NAME : MGB BERHAD
FINANCIAL YEAR : December 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") of MGB Berhad ("MGB" or "the Company") takes full responsibility in leading, governing, guiding and monitoring the entire performance and enforces standards of accountability including the process for financial reporting, risk management and compliance.</p> <p>In discharging its functions and responsibilities, the Board is guided by the Board Charter, Authority Limits and Matters Reserved for the Board. The Board delegates specific responsibilities to the respective committees of the Board, namely Audit Committee, Nomination and Remuneration Committee and Risk Management Committee in order to enhance business and corporate efficiency and effectiveness.</p> <p>All Board Committees operate within their clearly defined terms of reference and operating procedures whereupon the Board receives reports of their proceedings and deliberations with their recommendations. The ultimate responsibility for decision making lies with the Board.</p> <p>During the year, the Board had, among others, carried out the following activities: -</p> <ul style="list-style-type: none">• Involving in establishing overall business objectives, reviewing and approving strategies and plans for the Company and its subsidiaries ("Group") (formulated and proposed by the Group Managing Director/Executive Director & Chief Executive Officer) to pursue business objectives and monitor their progress.

	<ul style="list-style-type: none"> • Overseeing the business operations and performance of businesses. • Reviewing and approving the Financial Statements encompassing annual audited accounts and quarterly reports, credit facilities from financial institutions. • Reviewing the effectiveness and efficiency of the risk management framework and internal control system. • Reviewing and approving corporate proposals such as Shareholders' Mandate on Recurrent Related Party Transactions. • Ensuring appropriate corporate governance structure is in place including standards of ethical behaviour and promoting a culture of corporate responsibility such as conducting a gap analysis to identify Company's adherence to the Malaysian Code on Corporate Governance ("MCCG") and areas for enhancement. 	
Explanation for departure	: Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	: Not Applicable	
Timeframe	: Not Applicable	

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	:	<ul style="list-style-type: none"> • The present Chairman of the Board is Dato' Abdul Majit bin Ahmad Khan (Independent Non-Executive Director) who is primarily responsible for ensuring Board effectiveness and monitoring the workings of the Board. • The Chairman is mindful and committed to instill good corporate governance practices and has been leading the Board with a keen focus on governance and compliance. • The key roles and responsibilities of the Chairman include, inter alia: <ul style="list-style-type: none"> ➤ To provide leadership of the Board; ➤ To oversee the Board in effective discharge of its fiduciary duties; ➤ To promote constructive and respectful relations between Board members and between the Board and Management; ➤ To lead and ensure efficient and effective conduct of the Board's meetings; ➤ To chair the Board meetings and encourage debates on issues and encourage positive contributions from each Director; ➤ To arrange evaluations of the performance of the Board, Board Committees and Individual Directors; and ➤ To commit time necessary to discharge effectively his role as Chairman.
Explanation for departure	:	Not Applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	<ul style="list-style-type: none"> • The positions of Chairman and Group Managing Director are held by two different individuals who are not related to each other. Dato' Abdul Majit bin Ahmad Khan is the Independent Non-Executive Chairman of the Board whereas Tan Sri Lim Hock San, JP is the Group Managing Director entrusted with providing the necessary support for the Chairman. • The roles of the Chairman and Group Managing Director are distinct and separate to ensure balance of power and authority. Having a clear separation of roles of the Chairman and Group Managing Director provides a healthy, independent and professional relationship between the Board and the Management. • The Chairman of the Board is primarily responsible for ensuring Board effectiveness and monitoring the workings of the Board whilst Group Managing Director has the overall responsibilities over the Group's operation, organisational performance effectiveness and implementation of strategy, overseeing and managing the day-to-day operations of the Group and the Board policies, decisions, consideration and approval. Group Managing Director is also responsible for determination of strategic direction of the Group for the Board's consideration and approval. 	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	The Board is supported by a qualified and competent Company Secretary, Mr Yeo Wee Ching, a Chartered Secretary registered with the Malaysian Institute of Chartered Secretaries & Administrators (MAICSA No. 7063236), who plays an important advisory role and as a central source of guidance, information and advises to the Board and Board Committee on issues relating to corporate compliance with the relevant laws, regulations and procedures affecting the Board and the Group, as well as best practices of governance. He is also the Secretary for all Board Committees.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	<ul style="list-style-type: none"> To ensure that the Board receives information in a timely manner, the notices of meetings are sent to the Directors at least one week in advance and the meeting e-books are delivered on the same day the notices are sent, or in any event, at least three (3) days before the meeting. This provides the Board with sufficient time to go through the meeting e-books and to raise important issues during the meeting. All deliberations at Board Meetings are duly minuted as records of proceedings. Minutes of meetings are circulated and confirmed as a correct record by the Board and Board Committees at the following meeting.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	<ul style="list-style-type: none">• The Board has adopted a Board Charter which sets how its roles, powers and responsibilities are exercised, having regard to principles of good governance, best practices and applicable laws.• The Board Charter upholds high standard of governance and clarifies, amongst others, the roles and responsibilities of the Board and serves as a general statement of intent and expectation as to how the Board discharge its duties and responsibilities.• The Board Charter will be reviewed and updated periodically as and when necessary to ensure its appropriateness and relevance to the Company from time to time and its compliance with the relevant laws, rules and regulations. The last review of the Board Charter was made in November 2017.• The Board Charter comprises, amongst others, the following key areas: -<ul style="list-style-type: none">➤ Roles of the Board and Board Committees➤ Roles of Chairman and Managing Director➤ Board Size and Composition➤ Code of Ethics for the Board➤ Board Efficiency➤ Stakeholder Communication➤ Process of the Board➤ Board Effectiveness Assessment➤ Training and Development➤ Directors' Selection Criteria➤ Terms and Tenure of Appointment• The Board Charter is made available at the Company's website at www.mgbgroup.com.my

Explanation for departure	: Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	: Not Applicable	
Timeframe	: Not Applicable	

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	<ul style="list-style-type: none"> • <u>Directors' Code of Conduct</u> The Board has adopted its Directors Code of Conduct which sets out twelve (12) principles as follows and acts as guidance for proper standards of conduct, sound and prudent business practices as well as standard of ethical behaviour for Directors, based on the principles of integrity, responsibility, sincerity and corporate social responsibility: <ul style="list-style-type: none"> ➤ to observe high standards of Corporate Governance ➤ to devote sufficient time and effort ➤ to avoid conflict of interest ➤ to avoid misuse of position and information ➤ to ensure integrity of records ➤ to ensure confidentiality of communication and transactions ➤ to ensure compliance with applicable laws ➤ to demonstrate openness and timeliness of communication ➤ to exercise duties and act honestly in the best interest of the Company ➤ to uphold accountability ➤ to maintain positive relationship with shareholders, employees, creditors and customers ➤ corporate social responsibility • <u>Business Ethics</u> The Board has also put in place the following Business Ethics for Directors and all employees at work of the Group: <ul style="list-style-type: none"> ➤ Insider Trading ➤ Declaration of Interests ➤ Group IT Policies ➤ Standard Operating Procedures ➤ Corporate Disclosure Policy and Procedures ➤ Employees' Code of Conduct

	<ul style="list-style-type: none"> The Board will review the Code of Conduct and Ethics as and when necessary to ensure it remains relevant and appropriate. The last review of the Directors' Code of Conduct was made in November 2017. The details of the Code of Conduct are available for reference at the Company's website at www.mgbgroup.com.my
Explanation for departure	: Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not Applicable
Timeframe	: Not Applicable

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	:	<ul style="list-style-type: none">• The Company has formalised a whistleblowing policy in 2016 with the aim of providing an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.• The Whistleblowing Policy is currently available on the Company's website www.mgbgroup.com.my for ease of reference.	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not Applicable
Explanation for departure	:	<p>During the calendar year 2018, the Board had eight (8) members comprising three (3) Independent Non-Executive Directors (“INEDs”), one (1) Non-Independent Non-Executive Director and four (4) Executive Directors (including Group Managing Director) led by Dato’ Abdul Majit bin Ahmad Khan as the Chairman and Independent Non-Executive Director of the Company.</p> <p>The Board cognisance that the composition of the Board in 2018 is not aligned with the desired practice of at least half to comprise independent directors.</p> <p>Although less than half of the Board comprises independent directors, there are 4 Non-Executive Directors which account for 50% (vs 4 Executive Directors) of total board members. By virtue of their non-executive status, they are not involved in the day-to-day management of the Group’s businesses, nor do they participate in any of its business dealings.</p> <p>In view thereof, the Board opined that the composition in 2018 to be effective in decision making at the Board level where independent deliberation is still being upheld with the presence of the three (3) Independent Non-Executive Directors at the Board together with one (1) Non-Independent Non-Executive Director.</p>
		<p>In addition, the Non-Independent Non-Executive Director, Dato’ Beh Hang Kong was re-designated as INED of the Board on 1 February 2019. With his re-designation, the number of INEDs rose to four (4) as compared to four (4) executive directors. They constituted 50% of the Board, which is in line with the aforesaid MCCG recommended practice.</p>

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

Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	Not Applicable	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not Applicable

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	:	<ul style="list-style-type: none"> • Nomination and Remuneration Committee (“NRC”) is delegated with the responsibility of assessing and considering suitable candidates for the appointments of Board and senior management (Grade GM1 and above). • The NRC will perform initial process of review and selection of candidates identified for appointment to the Board and senior management. The list of candidates available will be assessed to determine whether they possess the appropriate skills, competencies, experience, integrity and time to effectively discharge their role before potential candidate are recommended to the Board for approval. Besides, the diversity of the Board’s composition which include, inter-alia, board size, gender, ethnicity, age will also be taken into consideration in the appointment process.
Explanation for departure	:	Not Applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	Not Applicable
Explanation for departure	:	<p>The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. Currently, the Group does not adopt any formal gender diversity policy in the selection of new Board candidates and has not formulated specific policies on setting target for female candidates in the workforce.</p> <p>The Group is an equal opportunity employer and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.</p> <p>To meet the intended outcome, the evaluation of the suitability of candidates as the new Board member or as a member of the workforce takes into account of various factors including competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group.</p> <p>Nevertheless, the issue on gender diversity had been discussed and given prominence during deliberations by the NRC and the Board. Any new proposed appointment of director of the Company in future, NRC and the Board will evaluate and match the criteria of the potential candidate to the Board by taking into consideration of the boardroom diversity.</p> <p>Following the appointment of Puan Nadhirah binti Abdul Karim on 1 February 2019, one (1) out of the eight (8) Directors is female, which has improved the women representation on the Board and testified to the Group's commitment on gender diversity.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	There was no new appointment of Directors in 2018. However, the NRC would consider sourcing new candidate via different sources including independent recruitment agencies and database.	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Applied	
Explanation on application of the practice	:	The NRC is chaired by Dato' Abdul Majid bin Ahmad Khan, an Independent Non-Executive Chairman of the Board.	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> Annual assessment will be carried out by the NRC to assess the effectiveness of the Board as a whole and the Board Committee through the completion of the assessment questionnaires. The assessment parameters included board structure, operations, tenure, roles and responsibilities, Chairman's roles and responsibilities and the effectiveness of the Board in its monitoring role. For the individual directors' performance evaluation is carried out via self and peer assessment conducted through a customised questionnaire completed by each of the Directors. It assesses the competencies of each Director in the areas of their contribution, performance, calibre and personality in relation to the skills and experience and other qualities they bring to the Board. Upon completion, the Company Secretary gathers the forms, summarises and presents the results of the performance assessment to the NRC. All the findings of all evaluations will be reported to the Board by the Chairman of NRC.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	<ul style="list-style-type: none">• In reviewing the remuneration of Executive Directors and Senior Management, NRC with the assistance of Human Resource Department considers the level of remuneration has achieved the following main objectives of the Company's policy on Directors' remuneration: -<ul style="list-style-type: none">➤ to ensure remuneration package is competitive to attract and retain its Executive Directors who are capable in meeting the Company's goal;➤ to reward Executive Directors for achieving corporate and individual performance targets in a fair and equitable way;➤ to ensure the remuneration package reflects the Executive Director's duties and responsibilities and contain incentives to motivate the Executive Director to deliver the Group's performance objectives without encouraging excessive risk taking; and➤ the remuneration policy must be sufficiently flexible to take account of changes in the Group's business environment and market practices.• The remuneration package for Executive Directors and Senior Management comprises a fixed component (in the form of basic salary, contractual bonus and benefits-in-kind) and variable components (which includes variable year-end bonus and employee share options).• When reviewing and determining the structure of Directors' remuneration, the NRC takes into consideration of the following criteria: -

	<ul style="list-style-type: none"> ➤ Individual performance; ➤ Skills and knowledge; ➤ Involvement in the Group's affairs; ➤ Achievement of Group's internal targets; and ➤ Performance and profitability of the Group. <ul style="list-style-type: none"> • The NRC also considers other factors such as salary paid by comparable companies, time commitment, scope of duties and responsibilities. Relevant information on Directors' remuneration from independent consultant or survey data, when available, would also be used as reference by the NRC. • The Board as a whole recommends the proposed fees for the Non-Executive Directors with the individual directors concerned abstaining from decisions in respect of their individual remuneration. The fees, allowance and other benefits, if any, payable to the Non-Executive Directors are subject to the approval of shareholders at the Company's Annual General Meeting. • Further information on the above remuneration structure is set out in the Corporate Governance Statement of the Company's Annual Report 2018, which can be viewed online on the Company's website at www.mgbgroup.com.my
Explanation for departure	: Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: Not Applicable
Timeframe	: Not Applicable

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	:	<ul style="list-style-type: none"> • NRC was established with defined Terms of Reference (“TOR”) to assist the members of NRC in discharging their duties. One of NRC’s duties is to assist the Board in fulfilling its fiduciary responsibilities for reviewing and making recommendations to the Board of Directors the terms of employment of and all elements of the remuneration of the executive directors and senior management (Grade GM1 and above) of the Company. • The composition of NRC comprises three (3) members, whom exclusively are Independent Directors pursuant to Paragraph 15.08A (1) of Main Market Listing Requirements of Bursa Securities. • The TOR of the NRC is published on the Company’s website at www.mgbgroup.com.my.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	Detailed disclosure of directors' remuneration are disclosed in the Company's Annual Report 2018.	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not Applicable	
Explanation for departure	:	The Board acknowledges the recommendation of MCCG to disclose the remuneration of top five (5) Senior Management on a named basis in bands of RM50,000. However, the Board considered the confidential and commercial sensitivities related with staff remuneration matters and the highly competitive human resource environment which being involved, it is important to ensure the stability and continuity of the business operations with a competent and experienced Executive team in place.	
		At this particular juncture, the Board is of opinion that the disclosure that made on the aggregate basis as tabled in the Company's Annual Report 2018 allows stakeholders to make an appreciable link between remuneration of senior management and the performance of the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not Applicable

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	:	The Chairman of the Audit Committee, Mr. Chin Sui Yin, is not the Chairman of the Board.	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	<ul style="list-style-type: none"> • The policy on the observation of a cooling-off period of at least two (2) years for a former key audit partner before being appointed as a member of the Audit Committee has been incorporated in the TOR of the Audit Committee. • The TOR of the Audit Committee can be viewed on the Company's website at www.mgbgroup.com.my 	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	<ul style="list-style-type: none">• During the year, the Audit Committee undertook review of the suitability and independence of Messrs. UHY (“UHY”). In determining the independence of UHY, the Audit Committee reviewed various aspects of their relationships with them including the nature and amount of the non-audit services paid to UHY for the financial year ended 2018 and the corresponding fees. The review showed that the non-audit fees did not impair or threaten the audit independence of UHY as such amount is not significant as compared to the total audit fees paid to UHY. Based on the review, the Audit Committee is of the opinion that UHY is, and is perceived to be, independent for the purpose of the Group statutory financial audit. UHY has declared its independence to the Group and its compliance pursuant to Paragraph 290.173 of the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.• To provide support for an assessment on independence, the Audit Committee has also obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.• In reviewing the nomination of UHY for re-appointment for the financial year 2018, the Audit Committee had considered the adequacy of the resources, experience and competence of UHY. The assessment of the external auditor was conducted by completing evaluation form as guided by the Corporate Governance Guide. The assessment included inter-alia, the external auditors' quality of service, audit team, independence and objectivity, audit scope and planning, audit fees, non-audit services provided by external auditors to the Group and audit

	communications. The Finance team had shared their views and issues in respect of the performance of the external auditors.	
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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 Audit Committee comprises of three (3) members of whom are all Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The members of the Audit Committee have the relevant accounting and related experience. The Chairman of the Audit Committee, Mr. Chin Sui Yin is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (FCCA) and a member of Malaysian Institute of Accountants (MIA).• The training programmes and seminars attended by the Directors of the Company during the year have been set out in the Company's Annual Report 2018 under the Statement of Corporate Governance.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	<ul style="list-style-type: none"> • The Board is responsible for the Group's risk management framework and system of internal control and for reviewing their adequacy and integrity. • The Board has outsourced its Internal Audit function to an external professional Internal Audit Firm. • The Group's risk management is applied on an enterprise-wide basis, ensuring a consistent approach across the Group and continuous evaluation. The Board entrusts the Risk Management Committee ("RMC"), comprising the Executive Directors and a team of senior management, with the overall responsibility for overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies, identification and management of strategic business risks of the Group. • The RMC is assisted by the respective Heads of Department who are responsible for the identification and management of operational risks at business divisions. New businesses/products/activities or entry into new markets are not embarked upon unless recommend by the RMC and approved by the Board. • Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control in the Company's Annual Report 2018.
Explanation for departure	:	Not Applicable

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

Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	<ul style="list-style-type: none">• The Statement on Risk Management and Internal Control is disclosed in the Company's Annual Report 2018.• The main features of Risk Management Framework as well as key elements and processes of internal controls are reported in the abovementioned statement.	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not Adopted
Explanation on adoption of the practice	:	Not Applicable

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	:	<ul style="list-style-type: none"> • The Group has outsourced its internal audit function to GovernanceAdvisory.com Sdn Bhd, an established external professional internal audit firm. The Internal Auditors supports the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal control. • The internal audit plan which reflects the identified risks was reviewed and approved by the Audit Committee. The scope of the Internal Auditors' function covered the audit and review of governance, risk assessment, compliance, operational and financial controls of the Group's business units and operations. • Further information on the Company's Internal Audit function is set out in the Audit Committee Report as well as the Statement on Risk Management and Internal Control of the Company Annual Report 2018.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	<ul style="list-style-type: none"> • The internal audit function has been outsourced to an independent party, GovernanceAdvisory.Com Sdn Bhd (“GASB”). • The internal audit function for the Company assigned by GASB consists of four (4) audit executives and led by Mr Jason Tee, an experienced internal auditor and has been with GASB for approximately 8 years, having joined in year 2011. • Mr Jason Tee is an Associate Member of the Institute of Internal Auditors, Malaysia (IIAM). He has more than 13 years’ professional experience in providing risk management system and internal controls review service. • In performing the internal audit review, GASB refers to and is guided by The International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
Explanation for departure	:	Not Applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

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	:	<ul style="list-style-type: none"> • The Company recognises the importance of effective and timely disclosure of corporate and material information to ensure that shareholders, investors and general public make informed assessments of the Company's business value and prospect. • The Group has various mean of communication channels in place to effectively communicate information to all the shareholders and stakeholders, which include annual reports, quarterly results, announcements to Bursa Securities, Company's website, online social networking and annual general meetings. 	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Not Adopted	
Explanation on application of the practice	:	Not Applicable	
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined by the MCCG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	<ul style="list-style-type: none"> • The Sixteenth (16th) Annual General Meeting (“AGM”) of the Company was convened and held on 5 June 2018 and the notice of AGM was issued together with Annual Report 2017 on 27 April 2018, to allow shareholders additional time to go through the Company’s Annual Report and make necessary attendance and voting arrangements. • The notice of 16th AGM also includes details and relevant explanatory notes to the proposed resolutions to enable the shareholders to make informed decision in exercising their voting rights. 	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	<ul style="list-style-type: none"> • The Company's AGM remains the principal forum for dialogue and interaction with the shareholders. The Board regard the AGM as an important channel of communication, as it serves as a forum for direct two-way interaction between the shareholders, Board and Management on the Company's strategy, operations, performance and major developments. • The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors have present in person at the 16th AGM held on 5 June 2018. • Amongst other, the Chairmen of respective Board Committees were present in person to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees. • Shareholders are encouraged to participate in the question and answer session during the AGM on the proposed resolutions and the Group's operations. The Chairman provides sufficient time to shareholders' questions on matters pertaining to the Company's performance and would respond to the shareholders with regard to their concern and questions raised. 	
Explanation for departure	:	Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not Applicable	
Timeframe	:	Not Applicable	

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	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The 16th AGM of the Company was held in Petaling Jaya area which is nearby with its Business and Registered Office.• Electronic voting is adopted to ensure accurate recording of votes and all resolutions will be put to vote by poll.• In the event the shareholders are unable to attend the AGM, the shareholders are allowed to appoint any person(s) or the Chairman of the Meeting as their proxies to attend and vote in his stead at the Meeting.
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable
Timeframe	:	Not Applicable

**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.

Not Applicable
