

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5011
COMPANY NAME : Mesiniaga Berhad
FINANCIAL YEAR : December 31, 2017

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>Providing leadership in meeting the objectives and goals of the Company</p> <p>Mesiniaga abides by an ethical conduct and practices in doing our business and in our dealings with all stakeholders as much as we pledge to comply with all regulatory requirements. An integral part of our Employee e-Handbook is the Mesiniaga Business Conduct Guidelines which delineates the expected ethical behaviour of our employees. The Guidelines encompass areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information, and fraud prevention. Apart from that, it is also our undertaking to support the utilisation of license software and the implementation of good software asset management practices. Our commitment to ethical and best practices is exemplified by our upgraded ISO 9001:2015 accreditation.</p> <p>With the goal of achieving our Company's stated vision and mission, we are committed to continue our efforts to be the "Malaysian IT Partner of Choice" by helping our customers succeed. We pledge to strive for the highest level of good governance in the Company and its Group, and to not only meet but exceed the expectations of all our stakeholders particularly our shareholders. The Board of Directors ("the Board") firmly believes that adopting and operating in accordance with the highest standards of corporate governance are vital for sustainable performance and economic value creation for all our stakeholders. The values adopted by the Company are respect, integrity, commitment, innovation and teamwork.</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

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 of the Board is Datuk Wan Mohamed Fusil Bin Wan Mahmood who leads the Board in instilling good corporate governance practices, leadership and effectiveness of the Board. In particular, the key responsibilities of the Chairman as described in the Board Charter are as follows:</p> <ul style="list-style-type: none">i. to act as a liaison between Management and the Board;ii. to keep abreast of the activities of the Group and management so that sufficient information is provided to enable the directors to form appropriate judgement;iii. to approve arrangements for Annual and Extraordinary General Meetings;iv. to chair Board and General Meetings;v. to review and sign minutes of Board meetings; andvi. to call special meetings of the Board when necessary.
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 1.3

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Due to constraint of resources, the Company was not able to identify and make recommendations on the appointment of a different individual for the post of CEO other than the current CEO ie. Datuk Wan Mohamed Fusil who is also the Chairman of the Board.
	:	The Board is of the opinion that Datuk Wan Mohamed Fusil, the Chairman of the Board, being the most senior and experienced person on the Board is most suitable to be the CEO of the Company for the time being. He has been on this dual capacity since 25 th February 2016.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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 assisted by the Company Secretary who is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and its Group of companies, as well as the principles of best practices on corporate governance. The Company Secretary is also responsible for advising the Directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.</p> <p>Apart from playing the role as an advisor to the Directors, the duties of the Company Secretary also include, amongst others, attending all Board meetings, ensuring that the proceedings of Board meetings and decisions made thereof are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations, communicating the decisions of the Board to the Management for further action, ensuring all appointments and resignations of Directors are in accordance with the relevant legislations, formulation and review of Board Charter periodically, handling Company share transactions, coordinating on dividend payments, and making corporate disclosure announcements. The appointment and removal of the Company Secretary is exclusively within the purview of the Board.</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

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 Board recognises the importance of information supply in promoting informed Board discussions and deliberations. In consultation with the Chairman, the Secretary circulates the notice and agenda of a Board meeting in advance of the meeting to all members.</p> <p>The Directors are supplied with Board papers with necessary information that are accurate, clear and comprehensive to enable informed decision making at the Board meetings. In addition, Board members can seek further advice or clarification from Management when required.</p> <p>The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board minutes, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.</p> <p>The decisions made at the Board meetings are also communicated to Management in a timely manner to ensure appropriate execution.</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	:	The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter which establishes clear functions, roles and responsibilities of the Board of the Company is published in the Company's website www.mesiniaga.com.my . The Board Charter is subject to periodical review. The Board Charter currently in used was adopted by the Board on 3 August 2016. The Board Charter however has yet to be reviewed since its adoption.
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	:	Mesiniaga has always enjoyed a good reputation within the industry for having good ethics and fair dealings. It has been the responsibility of the Group to uphold this reputation, as well as the responsibility of each employee to behave in the prescribed manner, as required by the Mesiniaga Business Conduct Guidelines (BCG). The policy and procedures as outlined in the BCG are based on the principles of the Code of Corporate Governance. The main objective of the BCG is to encourage and enable employees to whistle-blow and raise serious concerns of illegal activities, such as corruption, and other wrongdoings that may occur within the organisation. This BCG is available in the Employee e-Handbook for the reference of all employees in the Group's effort to continue promoting accountability, transparency and ethical practices.
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	:	Employees' concerns, whistle-blowing or otherwise may be raised via emails, telephone calls, letters and faxes to the attention of the Ethics Committee consisting of the Chairman, a member of the Audit & Risk Management Committee and the Internal Audit & Risk Management Manager. Employees are assured that confidentiality will be maintained at all times and they will be protected.	
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 4.1

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

Application	:	Applied												
Explanation on application of the practice	:	<p>The Board comprises seven (7) members, four (4) of which are Independent Directors as follows:-</p> <ul style="list-style-type: none">a. Voon Seng Chuan;b. Wong Fook Hon;c. Abd Talib Baba; andd. Dato' Ab Rashid Mat Adam. <p>The representation of the members of the Board is as follows:-</p> <table border="1"><thead><tr><th>Classification of Directors</th><th>No. of Directors</th><th>%</th></tr></thead><tbody><tr><td>Executive Directors</td><td>1</td><td>14.3</td></tr><tr><td>Non-Independent Non-Executive Directors</td><td>2</td><td>28.6</td></tr><tr><td>Independent Non-Executive Directors</td><td>4</td><td>57.1</td></tr></tbody></table> <p>The composition is not only in compliance with the Listing Requirements of Bursa Securities, which requires at least one third of the Board should comprise independent directors, it also exceeded the provision as indicated in Practice 4.1 of the Code which stipulates that the Board must comprise at least half by independent directors.</p> <p>With more than half of the Board composed of Independent Directors, Mesiniaga is able to facilitate greater checks and balances during boardroom deliberations and decision making. This counterweight allows Independent Directors to encourage, support and drive each other in the value creation and sustainability of the business.</p>	Classification of Directors	No. of Directors	%	Executive Directors	1	14.3	Non-Independent Non-Executive Directors	2	28.6	Independent Non-Executive Directors	4	57.1
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Executive Directors	1	14.3												
Non-Independent Non-Executive Directors	2	28.6												
Independent Non-Executive Directors	4	57.1												
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

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>The Board recognises MCCG 2017's practice on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. Wong Fook Hon and Abd Talib Baba were reappointed last year upon their completion of a cumulative term of nine years.</p> <p>Shareholders' approval would be sought for the re-election of Wong Fook Hon, Abd Talib Baba and Dato' Ab Rashid Mat Adam at the forthcoming Annual general Meeting (AGM). Dato' Ab Rashid Mat Adam has just concluded his cumulative nine years' service and together with Wong Fook Hon and Abd Talib Baba whom had contributed significantly during their tenure of service.</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 4.3 - 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 considers that objectivity and integrity, as well as the relevant skills, knowledge, experience, mind set and ability, which will assist the Board in strengthening its key functions, are the prerequisites for the appointment of new Directors to the Board.</p> <p>The Board also recognises the need to enhance Board diversity, as it is essential to the efficient functioning of the Board and indicates good governance practices. The Board has attained diversification in terms of experience, skills, expertise, competencies, ethnicity and age to enable the Company to maximise its business and governance performance. Moving forward and in line with the recommendation to have gender diversity on the Board, every effort would be taken to recruit suitable female directors on to the Board.</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	:	The Board has yet to identify a suitable woman candidate to be appointed as a Board member. The Board is taking reasonable steps in appointing at least a woman on its board of directors in the near future.
	:	The Board fully embraces gender diversity within the Company. As of 31 st December 2017, 53% of the Company's employment strength consist of women, with 31% of women participation at the Senior Management level and 23% at Managerial level.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	Though the Nomination and Remuneration Committee has been tasked to review and make recommendations for membership of the Board, the Board does not solely rely on recommendations received from the committee. The Board is open to consider any other independent sources to identify suitably qualified candidates.	
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	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee is chaired by Voon Seng Chuan who is an Independent Non-Executive Director. In exercising his role, he leads the succession planning and appointment of board members including the future Chairman and CEO besides coordinating the annual review on board effectiveness in ensuring the performance of individual director is independently assessed.	
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 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	:	In the year under review, self and peer assessment among the board members were conducted and the Board is in the opinion that all board members are suitably qualified and capable of continuing serving as board members.	
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 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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	While the Nomination and Remuneration Committee (“NRC”) reviews the performance and remuneration of Executive Directors and make recommendations to the Board on an annual basis, there are no formalised policies and procedures adopted by the Company.	
		In relation to the remuneration of the Executive Directors, the Committee will take steps towards formalising such policies and procedures to reflect the Company’s commitment to attract and retain Directors. Currently, the Committee reviews the remuneration package of Executive Directors by comparing with peer companies and make recommendations to the Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	The NRC oversees the implementation of the policy and procedure on remuneration including reviewing and recommending matters relating to the remuneration of the Board in general particularly the remuneration of the Executive Director. Its Terms of Reference are as stated in the annual report which is published on the Company's website.
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	:	Departure																																													
Explanation on application of the practice	:																																														
Explanation for departure	:	<p>Detail information on named basis regarding the remuneration of each individual Director are not disclosed as the Board considered the information is sensitive and proprietary, besides the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties.</p> <p>The transparency and accountability aspects of corporate governance applicable to the remuneration of the Directors are deemed appropriately served by the below disclosures:-</p> <ol style="list-style-type: none"> Aggregate remuneration categorised into the appropriate components is as follows:- <table border="1"> <thead> <tr> <th>RM ('000)</th> <th>Executive Director</th> <th>Non-Executive Director</th> </tr> </thead> <tbody> <tr> <td>Fees</td> <td>-</td> <td>248</td> </tr> <tr> <td>Salaries</td> <td>984</td> <td>-</td> </tr> <tr> <td>Other emoluments</td> <td>209</td> <td>25</td> </tr> <tr> <td>Defined Contribution plan</td> <td>63</td> <td>-</td> </tr> </tbody> </table> <ol style="list-style-type: none"> The number of Directors' remuneration component in bands width of RM50,000 as below:- <table border="1"> <thead> <tr> <th></th> <th>No. of Executive Directors</th> <th>No. of Non-Executive Directors</th> </tr> </thead> <tbody> <tr> <td>Below RM50,000</td> <td>0</td> <td>4</td> </tr> <tr> <td>RM50,001 to RM100,000</td> <td>0</td> <td>2</td> </tr> <tr> <td>RM100,001 to RM150,000</td> <td>0</td> <td>0</td> </tr> <tr> <td>RM150,001 to RM200,000</td> <td>0</td> <td>0</td> </tr> <tr> <td>RM200,001 to RM250,000</td> <td>1</td> <td>0</td> </tr> <tr> <td>RM250,001 to RM300,000</td> <td>0</td> <td>0</td> </tr> <tr> <td>RM350,001 to RM500,000</td> <td>0</td> <td>0</td> </tr> <tr> <td>RM500,001 to RM1,000,000</td> <td>0</td> <td>0</td> </tr> <tr> <td>RM1,000,001 to RM1,050,000</td> <td>1</td> <td>0</td> </tr> </tbody> </table>	RM ('000)	Executive Director	Non-Executive Director	Fees	-	248	Salaries	984	-	Other emoluments	209	25	Defined Contribution plan	63	-		No. of Executive Directors	No. of Non-Executive Directors	Below RM50,000	0	4	RM50,001 to RM100,000	0	2	RM100,001 to RM150,000	0	0	RM150,001 to RM200,000	0	0	RM200,001 to RM250,000	1	0	RM250,001 to RM300,000	0	0	RM350,001 to RM500,000	0	0	RM500,001 to RM1,000,000	0	0	RM1,000,001 to RM1,050,000	1	0
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Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.																																													

Timeframe	:	Choose an item.	
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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 7.2

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	:	In this competitive industry, the Board is of the opinion that the disclosure of the Senior Management remuneration would not be in the best interest of the Group due to confidentiality and retention concerns. As the recruitment and retention of Senior Management is challenging and remuneration remains an important consideration in this regard.	
		The Board ensures that the remuneration of Senior Management commensurates with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	
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Explanation on adoption of the practice	:
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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 Audit and Risk Management Committee (“ARMC”) is headed by Abd Talib Baba, who is an Independent Non-Executive Director and all members of the ARMC are Independent Non-Executive Directors.	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Historically and currently, none of the member of the ARMC are former key audit partner of the Company. However, there was no formal policy in place to define the requirement to observe the cooling-off period in the event where a former key audit partner is to be appointed as a member of the Audit Committee.	
		The ARMC shall formalise such policy and any other relevant policy in relation to the appointment of committee member that relates to possible appointment of a former key audit partner.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	The ARMC, under its Term of Reference reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review covers the assessment of the independent of the external auditor, the evaluation of the external auditor’s performance, quality of work, audit fees and the adequacy of resources.	
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	:	All members of the ARMC are Independent Non-Executive Directors. They are: <ul style="list-style-type: none">• Abd Talib Baba;• Dato' Rashid Mat Adam; and• Wong Fook Hon.

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	:	While the Chairman of the ARMC is a fellow member of Association of Chartered Certified Accountants ("ACCA") and is a registered member of Malaysia Institute of Accountants ("MIA"), the other two members though not having financial background have sufficient experience that enables them to be financially literate and understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC had participated in various continuous professional development to keep themselves abreast of relevant development in accounting standards, practices and rules.
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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established the necessary risk and internal control framework encompassing the risk assessment process, internal control measures, organisational oversight and reporting function to instil the appropriate discipline to continuously improve risk management and internal control capabilities.</p> <p>Details of the Group’s Risk Management and Internal Control Framework are set out in its Statement of Risk Management and Internal Control in the Company’s Annual Report page 54.</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 9.2

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>Risk assessment, monitoring and review of the various risks faced by the Group are continuous processes within the key operating units, with the Risk Management Steering Committee playing a pivotal oversight function as delegated by the ARMC.</p> <p>Further details on the features of the risk management and internal control are as stated in the Statement of Risk Management and Internal Control in the Company’s Annual Report page 54.</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 9.3 - 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	:	All members of the ARMC are Independent Non-Executive Directors. They are: <ul style="list-style-type: none">• Abd Talib Baba;• Dato' Rashid Mat Adam; and• Wong Fook Hon.

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 internal audit functions are established and performed in-house by the Audit and Risk Department who reports directly to the ARMC on a quarterly basis.</p> <p>The internal audit function is established to add value and improve the Group’s operations by providing independent, objective assurance and consultation through its audit of Group’s key operations and also to ensure consistency in the control environment and the application of policies and procedures.</p> <p>The ARMC is assisted by the Audit and Risk Department in discharging its duties and responsibilities. The ARMC has ensured that the internal audit function is effective and able to function independently in the year under review.</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	:	Internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The internal audit department is headed by the Head of Audit and Risk Department. He holds an MBA and a professional member of the Institute of Internal Auditors. He is assisted by a team of four internal auditors who all have sufficient auditing experience besides holding their respective tertiary academic qualifications.	
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	:	The Group welcomes all queries from shareholders and these queries could be channelled directly to the Chief Executive Officer or through the Company's website www.mesiniaga.com.my . Upon requests and especially after the announcement of the Group's quarterly results, the Chief Executive Officer provides updates on Group's performance to analysts and shareholders from time to time.	
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	:	Not applied due to the Company yet to attain a Large Company status.	
		The Company’s annual report has been prepared to include all major information on the Company to allow stakeholders to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	Though the Company's Articles of Association specifies a notice period of 21 days for the convening of an Annual General Meeting, the Company has been observing a longer notice period of more than 30 days since year 2016.
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 12.2

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	:	At each Annual General Meeting, the Board presents the Group business progress and performance and encourages shareholders to participate in the question and answer session. In demonstrating this commitment to shareholders, all Directors have attended the previous AGM.	
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	:	The Company has been holding its Annual General Meeting at its own premise since 1998. The Company has no intention to introduce voting in absentia or remote shareholders participation for the time being.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**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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