

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7234
COMPANY NAME : MESB BERHAD
FINANCIAL YEAR : 31 March 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 is responsible for overall corporate governance, strategic direction, formulation of policies to oversee the business, performance and affairs of the Group, and charting the course of the Group's business operation whilst providing effective advice on Management's performance, risk assessment and controls over business operations.</p> <p>The Board Charter, which made available at the Company's corporate website, outlines the Key matters reserved for the Board' deliberation and decision. Besides, the Board Committees' roles and responsibilities in discharging its function which had been delegated by the Board are set out in respective Board Committee's Terms of Reference.</p> <p>The roles and responsibilities of the Board include the following:-</p> <ul style="list-style-type: none">• approves and proactively participates in strategic decisions;• together with senior Management, promotes good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior;• oversees Management's plans, decisions, and actions;• monitor sustainability issues in the Group and consider appropriate sustainability reports and information• puts in place succession planning for Board and senior Management, including the implementation of appropriate systems for recruiting, training and determining the appropriate compensation benefits;• monitors Management's ethical conduct, financial reporting and regulatory compliance;• plays a critical role in ensuring sound and prudent policies and

	<p>practices of the Company;</p> <ul style="list-style-type: none"> • be capable of effectively achieving good governance and protecting the interests of shareholders; • ensures there is a sound framework for internal control and risk management; • sets the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks • reviews the performance of the Group’s businesses • approves the establishment of the Board Committees including appointment of Committee members and its terms of reference; • monitors compliance with the relevant rules, regulations and accounting standards within the corporate and business environment; • promotes ethical and best corporate governance culture across the Group; • declares the interim dividend and recommends the payment of the final dividend; • promotes effective communication and proactive engagements within shareholders and other stakeholders; and • appoints new directors based on recommendation of the Nomination Committee. <p>The Board shall meet at least four (4) times a year. When the need arises, special board meetings will be convened. The Board Committees also meet regularly to discharge their duties.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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 Board is chaired by a Senior Independent Non-Executive Director, En Saffie Bin Bakar.</p> <p>The Chairman is responsible for providing leadership to the Board, controls the orderly and effective functioning of the Board, ensures the integrity and effectiveness of the governance processes of the Board and consults the Board promptly over any matter that is pertinent to the Company and of concern to the Company.</p> <p>The Chairman's key roles and responsibilities include:</p> <ul style="list-style-type: none"> • providing leadership for the Board; • leading Board meetings and discussions; • managing the interface between Board and Management; • setting the Board agenda and ensuring that Board members receive the necessary information in a timely manner; • encouraging active participation and allowing dissenting views to be freely expressed ; • leading the Board in establishing and monitoring good corporate governance practices in the Company; and • ensuring appropriate steps are taken to provide effective communication with stakeholders and their views are communicated to the Board as a whole.
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	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Chief Executive Officer ("CEO") are held by different individuals. The Chairman and the CEO are not related to each other.</p> <p>The roles and responsibilities of the Chairman, En Saffie Bin Bakar are distinguished from that of the CEO, Mr Loke Lee Ping which are clearly set out in the Board Charter uploaded on the corporate website at www.mesbbhd.com.my.</p> <p>The Chairman of the Board is responsible for the leadership, effectiveness and conduct of the Board. The CEO, assisted by his fellow Executive Director, has overall responsibility over the business units and day-to-day management of the Company, organisational effectiveness and implementation of Board policies, strategies and decisions.</p> <p>The distinct and separate roles of the Chairman and the CEO, with a clear division of responsibilities, ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making.</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 1.4

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 Company Secretaries are qualified and competent to act as the Company Secretary under the Section 235(2) of the Companies Act 2016 ("CA 2016").</p> <p>All Directors are given unrestricted access to the advice and services of the Company Secretaries.</p> <p>The Secretaries regularly update the Board on matters pertaining to the statutory requirements prescribed under the various statutes, in particular, the CA 2016, the Listing Requirements of Bursa Securities and in general, such other matters relating to secretarial practice.</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>All Directors have full unrestricted access to timely information pertaining to the Company.</p> <p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with schedule dates for meetings of the Board, Board Committees and Annual General Meeting, as well as the closed periods for dealing in securities by Directors and principles officers based on the targeted dates of announcements of the Group's quarterly results.</p> <p>The agenda for every Board and Board Committees meeting, together with a set of Board and Board Committees papers are furnished to all Directors for their perusal prior to the Board and Board Committees meetings. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board and Board Committees meetings.</p> <p>The Directors may seek additional information and obtain further clarification from the Company Secretaries, should such a need arise to enable them to discharge their responsibilities.</p> <p>The Board can at any time request for additional information pertaining to any agenda items to be deliberated prior to or post Board meeting. In most instances, the senior Management are invited to attend the Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.</p> <p>The deliberations and decisions at Board and Board Committee meetings are well documented in minutes. The status of actions taken with reference to the previous minutes of meetings is updated in the matters arising for the Board's notation.</p> <p>The Directors have unrestricted access to the advice and services of the Company Secretaries, senior management and independent professional advisers including the External Auditors, at the</p>

	Company's expense.	
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 demarcation of responsibilities between the board, board committees and management.

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter serves as a source reference to the Board for matters relating to the Board's organisation. It also provides guidance to the Board members in the performance of their duties, roles and responsibilities as Directors of MESB Berhad ("MESB"). It will also assist the Board in the assessment of its own performance and of its individual Directors.</p> <p>The Board reviews the Board Charter from time to time and makes any necessary amendments to ensure they remain consistent with the Board's objectives, current law and practices. The Board Charter was last review and approved by the Board on 7 July 2017.</p> <p>Board Charter sets out the functions, duties and responsibilities, composition and structure of the Board, among others are:-</p> <ul style="list-style-type: none">a) Board responsibilities;b) Board size and composition;c) Roles of Chairman;d) Role of Chief Executive Officer;e) Role of Independent Director;f) Role of Individual Director;g) Appointment of Board members;h) Board Committees; andi) Board procedures. <p>The Board Charter is available on Company's website at www.mesbbhd.com.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Board has formalised Ethical standard through Code of Conduct for Directors and Employees in discharging its oversight role effectively. The Code of Conduct is published on the corporate website at www.mesbbhd.com and has clearly stated the values and inspiring principles behind the achievement of its business objectives, which are of fundamental importance for the correct operation of its businesses.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises whistleblowing as an important mechanism in the prevention and detection of improper conduct, harassment or corruption in the conduct of the Group’s businesses and operations.</p> <p>The Board formalised the Whistleblowing Policy to provide an avenue for raising concerns related to any malpractice or misconduct of which become aware and importantly to provide protection for those who report allegations of such malpractices or misconducts. All reports will be investigated promptly. At the conclusion of the investigation, the findings of the investigation will be reported to the Audit Committee (“AC”) no later than at the next scheduled meeting for their deliberation. Decision taken by the AC will be implemented immediately. All employees including suppliers, agents and customers of the Group are encouraged to report any genuine matter or behavior that believe contravenes the Group’s Code of Conduct, policies or the law. Matters may include any actual or suspected:</p> <ul style="list-style-type: none">• Bribery;• Anti-trust;• Money laundering;• Criminal offence;• Fraud;• Failure to comply with any legal obligations and procedures;• Danger to the health and safety of any individual; and• Corporate misconduct.
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 4.1

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 Company encourages objective and independent deliberation and decision-making.</p> <p>Currently, the Board comprises five (5) members, of whom three (3) are Independent Non-Executive Directors, and two (2) Executive Directors, where the Chairman is an Independent Non-Executive Director. This is in compliance with Paragraph 15.02(1) of the Main Market Listing Requirements (“MMLR”) which states that at least two (2) directors or one-third (1/3) of the Board of Directors of a listed issuer, are Independent Directors.</p> <p>The Independent Non-Executive Directors are persons of high calibre and integrity, provide an independent judgment on the issues of strategy, performance and resource allocation proposed by the management. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.</p> <p>Pursuant to the definition of independence under the MMLR, all of the three (3) Independent Directors have satisfied their independence in the yearly assessment of the Independent Directors for the financial year ended 31 March 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 - Two Tier Voting
Explanation on application of the practice	:	<p>The Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service. The extended service should not affect their independence, as they are still able to provide independent judgment, experience and objectivity without being subordinated to operational considerations.</p> <p>En Saffie Bin Bakar, an Independent Non-Executive Director ("INED") of the Company, has served on the Board for more than 12 years. The Board has through the Nomination Committee ("NC"), assessed the INED and is of the opinion that he is independent in character and judgement, independent of Management and free from any relationships or circumstances which are likely to affect or could appear to affect his independent judgement.</p> <p>Based on the recommendation of the NC, the Board will seek shareholders' approval to retain En Saffie Bin Bakar as an INED at the Twenty-Third Annual General Meeting of the Company via a two-tier voting process.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Charter states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years.</p> <p>Subject to the approval of the Company's shareholders being obtained, the Board may recommend and justify in the event it retains an Independent Director who has served a cumulative term of 9 years as an Independent Director of the Company.</p> <p>If the Board continues to retain the Independent Director after the twelfth (12th) years, the Board should seek annual shareholders' approval through a two-tier voting process.</p>

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group practices non-discrimination in any form, whether based on age, gender, or cultural background, throughout the organisation.</p> <p>When assessing the suitability of a nominated candidate for appointment to the Board, the Nomination Committee (“NC”) will review the Board composition matrix setting out the criteria and the gap and will consider the skill sets, expertise, industry knowledge and the needs of the Company.</p> <p>The NC is delegated with the responsibility in identifying, assessing and recommending to the Board, candidates for appointment as the Chairman, Director, Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). In making its recommendations, to consider the candidates’ age, background, skills, knowledge, expertise and experience, professionalism, integrity and time efficiency and in the case of candidate for the position of Independent Non-Executive Directors, to evaluate the candidates’ ability, independence and time to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. The results of such evaluation should be explained to the Board.</p> <p>The Group recognises gender diversity through its Board, Management and staff composition. The Board welcomes suitably and qualified female Directors to come on the Board subject to the evaluation and assessment by its Board Committees.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board recognises the importance of gender diversity, female on Board increase board effectiveness by contributing to better and more constructive discussions, leading to a better decision-making process during board meetings.</p> <p>The Board continually keeps in view the need to appoint suitable female Directors to the Board.</p> <p>The Board is of the view that while it is important to promote diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, experience and knowledge in areas identified by the Board, should remain a priority so as not to compromise on capabilities, experience and qualification.</p> <p>The Board is putting its efforts in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background to join the Board.</p>
<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 4.6

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

Application	: Applied.
Explanation on application of the practice	<p>The Nomination Committee (“NC”) is responsible for identifying and recommending suitable candidates for directorships to the Board. The NC leverages on several sources and gain access to a wide pool of potential candidates. The responsibilities of the NC are outlined in its Terms of Reference.</p> <p>In evaluating potential candidates, the NC will access directorship suitability based on objective criteria, including:</p> <ul style="list-style-type: none">• Qualifications;• Required competencies, skills, expertise and experience;• Specialist knowledge or technical skills;• Professionalism and Integrity; and• Commitment to the Company. <p>The final decision on the appointment of a candidate recommended by the NC rests with the Board.</p> <p>The NC may also receive suggestions from existing Board members, Management, and major shareholders. The NC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>Internal promotion of senior Management as Executive Director is also looked into as career advancement for them.</p> <p>To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five (5) public listed companies.</p> <p>There was no new appointment of Directors for the financial year ended 31 March 2018.</p>

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

Intended Outcome

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 Committee is chaired by En Saffie Bin Bakar, an Independent Non-Executive Director.	
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	:	<p>Through the Nomination Committee (“NC”), the Board has established a formal assessment process which will be carried out annually for evaluation of its own performance and the performance of its committee individual directors. The Board evaluation comprises a Board Assessment, an Individual Peer Assessment and an Assessment of Independence of Independent Directors.</p> <p>The Board evaluation comprises a set of questionnaires which covers 4 areas (i) Board Structure, (ii) Board operations and interactions, (iii) Board communications; and (iv) Board roles and responsibilities.</p> <p>Questionnaires on the above are sent out to the Board members by the Company Secretaries and summarised findings based on Directors’ feedback and reviewed by the NC prior to submitting to the Board for deliberation and identify areas for improvement.</p> <p>Each individual Director undertook a peer assessment of their individual performance during the financial year ended 31 March 2018 based their attributes, personality and quality.</p> <p>The results of the assessment would form the basis of the NC’s recommendation to the Board for the re-election of Directors at the forthcoming AGM.</p> <p>Based on the results of the assessment for the financial year ended 31 March 2018, it was concluded that the Board composition and Committees corresponding to its oversight duties and the developments of the Company strategy; comprised competent Directors and the Board has effective discharge its responsibilities.</p> <p>The NC also reviews the performance of the Audit Committee (“AC”) annually by means of questionnaires completed by individual NC members which are then discussed at NC and Board meetings. These appraisals enable the NC to evaluate the effectiveness objectively and</p>

	<p>to conclude that the AC operated effectively under its terms of reference.</p> <p>The Board was satisfied with the overall performance of individual Director, Board and Board Committees for the financial year under review, including the character, experience, integrity, competence and time to effectively discharge his role as a Director of the Company.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The Remuneration Committee (“RC”) is authorised by the Board to establish a formal and transparent policies and procedures to determine the remuneration of Director and senior Management by reference to the Company’s performance and profitability, the prevailing market conditions and performance of individual Directors and senior Management whereas the compensation payment for Non-Executive Directors shall base on their efforts and time dedicated to the Company’s affairs.</p> <p>Management is looking into improving the remuneration policies and procedures in a more formal written form and recommend to Board and RC for further deliberation.</p> <p>During the year, the RC held a meeting to review the remuneration packages of the Directors and the top five (5) senior Management by reference to the Company’s financial performance and individual’s performance, and discussed remuneration related matters prior it recommended the same to the Board for approval. Besides, the RC has proposed quantum of Directors’ fees to the Board prior its recommended to the shareholders for approval.</p>
<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 6.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board established Remuneration Committee ("RC") to ensure compensation payments of Directors and senior Management are competitive and consistent with the culture, objectives and strategy of the Company and market trends.</p> <p>The RC discharged its responsibilities by carrying out its duties set out in Terms of Reference as follows:-</p> <ol style="list-style-type: none">1. To recommend and advise the Board of Directors the remuneration and terms of conditions (and where appropriate, severance payments) of the Executive Directors.2. To establish a formal and transparent procedure for developing policy on remuneration packages of individual directors and senior management, taking into consideration the following:<ul style="list-style-type: none">• In case of executive directors and senior management, the component parts of remuneration should be structured on the basis of their merit, qualification and competence, having regard to the company's operating results, individual performance and comparable market.• In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the non-executive concerned.• The remuneration of the non-executive directors shall be a matter for the Board.3. Where possible, and to allow it to meet its duties, the RC should seek comparative information on remuneration and conditions of service in comparable organisations, within and without sectors

	<p>of industry. The RC may engage remuneration consultants and other advisers or otherwise obtain such independent legal or other professional services as it requires, at the expense of the Company, with prior consent of the Board.</p> <ol style="list-style-type: none"> 4. When considering severance payments, the RC should bear in mind that it must represent the public interest and avoid any inappropriate use of public funds. Care would be taken to avoid determining a severance package that public opinion might deem to be excessive. 5. To review the recommendations of the Chief Executive Office on remuneration, compensation and benefits package of the senior Management, to ensure their contributions for the year and which are competitive and consistent with the Company's culture and strategy. 6. To review and if deemed appropriate, endorse for the Board's approval, the annual bonus and salary increment framework for the Group's senior management, as recommended by the CEO. 7. To recommend to the Board the remuneration policies and procedures for directors and senior management as well as the terms and reference of the RC. 8. To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time. 	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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	:	The breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments are made in the Company's Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	<p>The Board has chosen not to disclose the remuneration information of the top five (5) senior Management staff in named basis as such disclosures deemed to be commercially sensitive information, consequences of doing so, would affect the talents top management retention and recruitment strategies of the Group.</p> <p>The RC will annually review the individual top senior Management remuneration packages to ensure fairness and internal equity, while maintaining market competitiveness in terms of the structure, scope and level of executive compensation within the Group.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
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 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied.	
Explanation on application of the practice	:	The Audit Committee is chaired by an Independent Non-Executive Director, Mr Tan Yew Kim, who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied.
Explanation on application of the practice	:	The Audit Committee ("AC") adopts the best practice of requiring a cooling-off period of at least two years before being appointed as a member of the AC. Nevertheless, this instance has not arisen to date. The said practice has been incorporated into the Terms of Reference of the AC on 10 July 2018.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Audit Committee ("AC") conducted an annual assessment of the suitability and independence of the external auditors, Messrs. KPMG PLT ("KPMG"), in respect of the financial year under review. The AC was satisfied with the performance and independence of the external auditors as well as the fulfillment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</p> <p>KPMG had also provided written confirmation to the AC that they had been independent throughout the audit engagement in respect of the financial under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the AC, approved the recommendation for the re-appointment of KPMG as external auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Applied.
Explanation on adoption of the practice	:	The Audit Committe has three (3) members, all of whom are Independent Non-Executive Directors (INED"). The INED of the Company satisfy the independence test under the Main Market Listing Requirements.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The members of the Audit Committee ("AC") including the AC Chairman have relevant accounting knowledge or related financial management expertise and experience to discharge the AC's duties and responsibilities. All members of the AC are able to understand, analyse and, when necessary, challenge the matters and issues under the purview of the AC, including the financial reporting process.</p> <p>The Nomination Committee ("NC") conducts an annual assessment of the AC as a whole to ensure that the AC carries out their duties in accordance with the Terms of Reference of the AC. Based on the outcome of the assessment carried out in May 2018, the NC and the Board was satisfied with the performance of the AC as a whole.</p> <p>In addition, all members of the AC are encouraged to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.</p> <p>The details of the training attended by the AC members for the financial year ended 31 March 2018 are disclosed in the Annual Report 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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 overall responsibility for maintaining a system of internal control and risk management that enables the Company to make informed decisions with reasonable assurance of achieving effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines.</p> <p>The Board has delegated to the Risk Management Committee (“RMC”) with the responsibility to review the risk management and internal control system of the Group for ensuring that risks are identified and monitored. The RMC has in turn required Management to design and implement a risk management and internal control system to manage the Group’s material business risks on an ongoing basis, and Management shall confirm to the Board on the effectiveness of these systems at least annually.</p> <p>With the assistance of the Internal Auditors, the risk registers of each department has compiled by the Head of Division, for RMC’s review and the same report to Board.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2018 provides an overview of the internal control within the Group for the financial year under review.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Company has in a place a risk management framework to identify, evaluate and manage the Group's principal risks.</p> <p>The Board had via the Risk Management Committee oversees the risk management and internal control system of the Group.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2018 provides an overview of the internal control within the Group during the financial year under review.</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	:	Applied.
Explanation on adoption of the practice	:	The Risk Management Committee ("RMC") has five (5) members, which comprises three (3) are Independent Directors. The RMC is currently chaired by an Independent Director, Mr Lee Kok Heng.

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 Company's internal audit function has outsourced to an independent professional firm, Messrs SL Ling & Co. to assist the Audit Committee ("AC") in discharging its duties and responsibilities in respect of reviewing and assessing the adequacy and effectiveness of the Group's risk management and internal control systems. The Internal Auditors reports directly to the AC, which in turn report to the Board.</p> <p>In performing its duties, the Internal Auditors has free and unfettered access to information and to meet with any of the department heads or persons-in-charge. The identified audit issues are followed up by the Internal Auditors and the status is reported to the AC.</p> <p>During the financial year under review, the Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control.</p> <p>The results of these reviews have been presented to the AC at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.</p> <p>The Internal Auditors communicate regularly and report directly to the AC on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group.</p> <p>The Internal Auditors are also invited to attend the meetings of the AC, whenever required.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Company outsourced the internal audit function to Messrs SL Ling & Co and their engagement team is led by Mr Ling Siang Leh, who reports directly to the Audit Committee (“AC”). Mr Ling is an approved company auditor of Malaysia, a member of the Malaysia Institute of Accountants, Chartered Tax Institute of Malaysia and Chartered Accountants of Australia and New Zealand. Mr Ling has more than 20 years of experience in internal audit and various other functions.</p> <p>Mr Ling and the three (3) other internal audit members are free from any relationships or conflict of interest which could impair their objective and independence.</p> <p>The internal auditors conduct the Internal audit review exercise in accordance to a risk-based audit plan approved by the AC.</p> <p>The information on internal audit functions are disclosed in the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company.</p> <p>The Board ensures that a dedicated section governing the Board and Shareholders relationship be included in the Board Charter, thereby formalising the Board's commitment to serving the best interest of the shareholders.</p> <p>The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Malaysia Securities Berhad, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at www.mesbbhd.com. where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.</p> <p>To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, mesb@mesbbhd.com to which stakeholders can direct their queries or concerns.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure.
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company is not classified "Large Company" under the MCCG 2017.</p> <p>Currently, the Company provides the information of development in the Company through the Annual Report, which provided the information such as Annual Financial Statements, Corporate Governance, Sustainability Statements and such other disclosures as provided in the Company's Annual Report.</p> <p>The Group continuously enhances its annual report, in order to improve its communication with its stakeholders with respect to the business of the company, its policies on governance, the environment and social responsibility.</p>
<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 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Annual Report, which contains the Notice of Annual General Meeting (“AGM”), was sent to the shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM.</p> <p>The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p> <p>All the resolutions set out in the Notice of 22nd AGM held on 27 September 2017 were put to vote by poll and were duly passed. The outcome of the AGM was announced to Bursa Malaysia Securities Berhad on the same day.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied.
Explanation on application of the practice	:	<p>At the 22nd Annual General Meeting (“AGM”) held on 27 September 2017, all the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company.</p> <p>In addition to the above, members of the senior Management and external auditors of the Company have also attended and will continue to attend the AGM to respond to the shareholders’ queries.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Company does not have a large number of shareholders nor having meetings in remote locations.</p> <p>The Company's Annual General Meeting ("AGM") has always been held at Kuala Lumpur. This venue was easily accessible and was familiar to the shareholders of the Company.</p> <p>The Company has adopted manual polling for 2017 AGM. As for voting in absentia and remote shareholders' participation, the existing proxy form authorising proxy(ies) or Chairman of meeting is an alternative measure adopted by the Company.</p> <p>As an alternative to the recommended practice, shareholders who are unable to attend general meetings are allowed to appoint their respective proxies to participate, speak and vote on their behalf at all general meetings the Company.</p> <p>The summary of key matters discussed at AGM will be published at the Company's corporate website. The Chairman of Board and its Committee together with the Chief Executive Officer will attend and answer questions from its shareholders at the AGM.</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	:	

**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.

Click here to enter text.