

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5916  
**COMPANY NAME** : MALAYSIA SMELTING CORPORATION BHD  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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

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

### Intended Outcome

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

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its key role in setting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none"><li>• to promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;</li><li>• to review and adopt a strategic plan for the Group to ensure sustainability of its business as the Board brings objectivity and breadth of judgment;</li><li>• to oversee the conduct of the Group's businesses and evaluate whether the businesses are being properly managed;</li><li>• to identify principal business risks and ensure the implementation of appropriate internal controls and mitigating measures to manage these risks;</li><li>• to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of Senior Management;</li><li>• to review management proposals for the Company; and</li><li>• to review the adequacy and the integrity of the Group's internal control system and management information system.</li></ul>

	<p>The Company recognises the importance of being transparent and accountable to its investors and, as such, has maintained an active and continuous communication between the Company and stakeholders that enables the Board and Management to communicate effectively with investors, financial community and the public generally. The various channels of communications are through the quarterly announcements on financial results and media release in relation thereto to Bursa and the SGX, relevant announcements and circulars, when necessary, AGM and through the Group's website at <a href="http://www.msmelt.com">www.msmelt.com</a> where shareholders can access corporate information, annual reports, press releases, financial information, company announcements, share prices and social responsibility reporting.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Ms. Chew Gek Khim, a Non-Independent Non-Executive Director, is the Chairman of the Company and she leads the Board to ensure the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. In carrying out her role, the Chairman works with Senior management and promote effective relations with stakeholders and shareholders besides managing the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There is a clear division of responsibilities between the Chairman and the CEO to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making.</p> <p><b>Chairman</b> Ms. Chew Gek Khim, a Non-Independent Non-Executive Director, is the Chairman of the Company and she leads the Board to ensure the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. In carrying out her role, the Chairman works with Senior management and promote effective relations with stakeholders and shareholders besides managing the Board.</p> <p><b>CEO</b> Dato ' Dr. Ir. Patrick Yong Mian Thong as the Group CEO and Executive Director is tasked to manage the business and operations of the Company and to implement the Group's strategic plans, policies and decisions adopted by the Board. The Group CEO and Executive Director is also tasked with ensuring that whilst the ultimate objective is maximising total shareholders' return, social and environmental factors are not neglected and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees and providing effective leadership to the Group's organisation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company Secretary, a member of Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"), oversees adherence to board policies & procedures and corporate governance issues, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee meetings to ensure that the meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests.</p> <p>The Board and Board Committee papers are circulated in advance prior to the meetings to allow the Board members adequate time for making informed decisions and effective discharge of Board's responsibilities. Minutes of Board and Board Committee's meeting are circulated in a timely manner for review.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles and functions of the Board, as well as roles delegated to Management, are clearly delineated in the Board Charter. This is taken into account through a formal schedule of matters reserved for the Board which includes setting the overall Group strategy and direction, approving major capital expenditure, consideration of significant financial matters and monitoring of financial and operating performance of the Group. Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. Such demarcation of roles is clearly set out in the Board Charter and Delegation of Authority which complement and reinforce the supervisory role of the Board.</p> <p>The salient features of the Board Charter can be found at the Company's website at <a href="http://www.msmelt.com">www.msmelt.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group's Code of Ethics continues to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behavior.  The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.  The salient features of the Code of Ethics can be found at the Company's website at <a href="http://www.msmelt.com">www.msmelt.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company had also put in place a whistle-blowing policy which allows the whistle-blower to raise concerns about actual or potential corporate fraud or breach of ethics involving employees, Senior Management or Directors of the Group. Whistle-blowing reports are addressed to Designated Officers of the Group, namely Internal Auditor, Company Secretary, Chief Operating Officer or the chairman of the Audit & Risk Management Committee following the form and specific conditions as prescribed under the policy. The policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board comprises six (6) members, all Non-Executive Directors, four (4) of whom are Independent. The Board is chaired by a Non-Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.2

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

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

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Directors' Independence Policy serves as a guide in limiting the tenure of the independent director to nine (9) years and ensure the independence of directors.

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The appointment of Board and Senior Management are based on their merit, skill and working experience and due regard are placed for diversity in terms of skills, experience and cultural background. The Board Diversity Policy serves as a guide in ensuring the diversity of the Board which facilitates the effective contribution of all Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board does not have a specific policy for setting targets for women or age composition on the Board as the Board believes in fair and equal participation for all individuals of right caliber irrespective of race, age or gender.	
		The Board is of the view that the interests of the Company and the Group are better served if the selection of suitable candidates is made based on the competency, skills and experience to facilitate board diversity.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Committee is also responsible for reviewing the Board composition and right mix of skills and balance as well as considering the Board’s succession planning and making recommendations for new appointment of directors and members of Board Committees as well as identifying suitable training programme for the Board. It also recommends to the Board on the remuneration policy and framework, performance measures criteria and proposes to the Board on the remuneration of the directors and senior management (ie Principal Officer only).	
		Moving forward, the Board will, nonetheless, consider using independent sources to identify suitable qualified candidates, when the need to on-abroad non-executive director arises.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The chairman of the Nominating & Remuneration Committee is Mr. Chia Chee Ming, Timothy, the Senior Independent Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Committee reviews annually the required mix of skills and experience for Directors and assesses annually the contributions of each individual Director and the effectiveness of the Board Committees and the Board as a whole. Furthermore, the Nominating &amp; Remuneration Committee reviews the size and composition of the Board with particular consideration on the impact on the effective functioning of the Board.</p> <p>The assessment criteria used in the assessment of Board, Board Committees and individual Director include mix of skills and experience and size of the Board, quality of inputs, understanding of their roles, duties and responsibilities and etc. The assessment of the Board is based in a self-assessment basis was carried out and the outcome deliberated by the Nominating &amp; Remuneration Committee.</p> <p>The assessment results indicated that all the Board, Board Committees and Individual Directors have discharged their roles and responsibilities effectively and the performance of Individual Directors was rated with weaknesses identified and area of improvement noted.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>In line with the Directors' Remuneration Policy, the Board in deciding, the appropriate level of fees of each Non-Executive Director, also takes into consideration, the experience, the level of responsibilities undertaken, time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers as well as the number of memberships assumed on Board Committees.</p> <p>In deciding the remuneration for senior management, the Board takes into consideration the skills, qualification, roles and working experience of the senior management besides the business performance of the Company.</p> <p>Nonetheless, there is no policies and procedures to determine the remuneration of senior management.</p> <p>To formalise a written policies and procedures on the remuneration of Senior Management, including the definition of Senior Management, for the Board's approval and subsequent uploading onto the Company's website at <a href="http://www.msmelt.com">www.msmelt.com</a>.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	It also recommends to the Board on the remuneration policy and framework, performance measures criteria and proposes to the Board on the remuneration of the directors and senior management (ie Principal Officer only).  The Terms of Reference of the Nominating & Remuneration Committee is set out in the Board Charter and is available on the Company’s website at <a href="http://www.msmelt.com">www.msmelt.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual directors are set out in paragraph 3.2 of the Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is of the view that disclosing the top five senior management's remuneration on a named basis according to salaries, bonuses, benefits-in-kind and other emoluments would be disadvantageous to the Company due to the confidentiality and sensitivity of each remuneration package which is structured competitively to attract, motivate and retain talents.	
		Alternatively, the remuneration of the top five senior management team of the Company in bands of RM50,000 is set out paragraph 3.3 of the Corporate Governance Overview Statement.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the board is Ms. Chew Gek Khim. Dato' Robert Teo Keng Tuan, an independent director is the chairman of the Audit & Risk Management Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board has never onboarded any former partner of the Company's external auditors as its members or a member of the Audit &amp; Risk Management Committee.</p> <p>As such, the Audit &amp; Risk Management Committee has not formalised any policy that requires a formal key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit &amp; Risk Management Committee.</p> <p>Moving forward, the Audit &amp; Risk Management Committee will formalise a policy that requires a formal key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit &amp; Risk Management Committee.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board, via the Audit &amp; Risk Management Committee, has annually assessed the suitability and independence of the External Auditors.</p> <p>It is also a requirement for our External Auditors, Messrs Ernst &amp; Young to rotate the audit engagement partner as well as its other key audit partners from their audit of MSC and its subsidiaries once in every 5 years as set out in the Malaysian Institute of Accountants' By-Laws (on Professional Ethics, Conduct and Practice).</p> <p>In this regard, the Audit &amp; Risk Management Committee had assessed the suitability and independence of Messrs Ernst &amp; Young as External Auditors of the Company for the financial year ended 31 December 2018. Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in its terms of reference, the Audit &amp; Risk Management Committee has recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.</p> <p>The policies and procedures to assess the suitability, objectivity and independence of the external auditor is contained in the terms of reference of the Audit &amp; Risk Management Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The profile and background of the Audit &amp; Risk Management Committee members are set out below:</p> <p><u>Chairman</u> <b>DATO' ROBERT TEO KENG TUAN</b></p> <ul style="list-style-type: none"><li>- Member of the Malaysian Institute of Accountants</li><li>- Fellow member of the Institute of Chartered Accountants in England and Wales</li><li>- Member of the Malaysian Institute of Certified Public Accountants</li><li>- Associate of the Chartered Institute of Taxation, England</li></ul> <p>He is a Chartered Accountant by profession. Dato' Robert Teo is the Managing Partner of RSM Malaysia, a professional public accounting firm, which is a member firm of RSM International. He has approximately forty (40) years experience in the fields of accounting, corporate taxation, audit assurance and corporate restructuring exercises. He has also undertaken Special Administrator appointments by Pengurusan Danaharta Nasional Berhad for certain public listed companies and is also involved in the restructuring of corporations including some of which are listed on the Bursa Malaysia Securities Berhad.</p> <p><u>Members</u> <b>MR. CHIA CHEE MING, TIMOTHY</b></p> <ul style="list-style-type: none"><li>- Bachelor of Science cum laude, majoring in Management, Fairleigh Dickinson University, United States of America</li></ul> <p>Mr. Chia Chee Ming, Timothy is the Chairman of Hup Soon Global Corporation Private Limited. He sits on the boards of several other private and public companies, including Banyan Tree Holdings Ltd., Fraser and Neave Limited, Singapore Power Limited, Vertex Venture Holdings Ltd., Ceylon Guardian Investment Trust PLC and Ceylon</p>

	<p>Investment PLC. He is an Advisory Council Member of the ASEAN Business Club and a Member of the Advisory Board of the Asian Civilisations Museum. He was a Member of the Board of Trustees of the Singapore Management University before stepping down in January 2019.</p> <p>Mr. Chia was the former Chairman – Asia for Coutts &amp; Co Ltd., the private banking arm of the Royal Bank of Scotland Group. From 1986 to 2004, he was a director of PAMA Group where he was responsible for private equity investments and served as President from 1995 to 2004. He was previously a director of SP PowerAssets Limited, PowerGas Limited, InnoTek Limited, and a senior advisor to EQT Funds Management Ltd.</p> <p><b>MS. CHEW GEK KHIM</b> <sup>PJG</sup> LL.B (Hons), National University of Singapore</p> <p>Ms. Chew is a lawyer by training. She has been Chairman of The Straits Trading Company Limited since 24 April 2008, first as Non-Executive and Non-Independent Chairman and then as Executive Chairman since 1 November 2009.</p> <p>She is also Executive Chairman of Tecity Group, which she joined in 1987. She is a Non- Executive Chairman of ARA Trust Management (Suntec) Limited and sits on the Boards of ARA Asset Management Holdings Pte. Ltd. and Singapore Exchange Limited.</p> <p>She is a Member of the Securities Industry Council of Singapore and Board of Governors of S. Rajaratnam School of International Studies. She was the Chairman of the National Environment Agency Board of Singapore from 2008 to 2015.</p> <p>The details of the training attended are set out in paragraph 2.6 of the Corporate Governance Overview Statement.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Recognising the importance of risk management and internal controls, the Board has in past years formalised a structured risk management and internal control framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis. The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.</p> <p>On 7 November 2018, the Board has renamed the Audit Committee to Audit &amp; Risk Management Committee to assist the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group besides overseeing financial reporting.</p> <p>The Company has also appointed NGL Tricor Governance Sdn Bhd as the service provider for Enterprise Risk Management Update and Internal Control Review for the Group for financial year 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b><u>Risk Management</u></b></p> <p>The Board is guided by Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance which calls for the establishment of an effective risk management and internal control framework and the disclosure thereof. Management is responsible for identifying, assessing, monitoring and reporting of risks and internal control as well as providing assurance to the Board that it has done so in accordance with the policies and procedures set by the Board. Further assurance is provided by the Internal Auditors, which operates across the Group. The Board believes that maintaining an effective risk management and internal control system is premised on the following key elements of the Group's risk management framework:</p> <ul style="list-style-type: none"><li>○ A risk management structure which outlines the lines of reporting and establishes the responsibilities at different levels, i.e. the Board, Audit &amp; Risk Management Committee and Management, as follows:<ul style="list-style-type: none"><li>➤ Board and Audit &amp; Risk Management Committee – ensure that there is a sound framework for internal controls and risk management;</li><li>➤ Business/division heads – to review the risk profiles and performance of business units and reports to the GCEO.</li></ul></li><li>○ Identification of principal risks (present and potential) faced by business units in the Group and Management's plans to mitigate or manage these risks. For the financial year under review, risk assessments and updates were undertaken by all four (4) business/division heads. The results of these assessments and management action plans to manage critical risks were reported by the heads to the GCEO for his further review. The Audit &amp; Risk Management Committee, with assistance from the Internal Auditors and external consultants, then reviewed the Group Risk Profile which was compiled from the review of the individual risk profiles and risk registers. For each principal risk, the assessment process considers the potential likelihood of occurrence and magnitude, effectiveness of controls in place (if any), and action plans taken</li></ul>

	<p>to manage those risks to the desired level. The risk responses and internal controls that Management have taken and/or are taking are discussed at Audit &amp; Risk Management Committee meetings;</p> <ul style="list-style-type: none"> <li>○ Risk appetite and parameters (qualitative and quantitative) for the Group and individual business units have been articulated so as to gauge the acceptability of risk exposures;</li> <li>○ Risk Management Policy and Guidelines Document was reviewed and updated to ensure its relevance across the Group. The document offers practical guidance to employees on risk management issues; and</li> <li>○ Preparation of action plans to address risk and control issues on an ongoing basis. The action plans include the utilization of internal audit procedures, as discussed in further detail below.</li> </ul> <p>Whilst the Board considers the risk management framework to be robust, the framework is still subject to periodic testing and continuous improvement, taking into consideration better practices and the changing business environment.</p> <p>The Company has also appointed NGL Tricor Governance Sdn Bhd as the service provider for Enterprise Risk Management Update for the Group for financial year 2018.</p> <p><b><u>Internal Audit Function</u></b></p> <p>The Group has in place an independent in-house Internal Audit team. During the financial year, the Board has appointed an independent professional services firm, NGL Tricor Governance Sdn Bhd, to support the in-house Internal Audit team (collectively referred to as the Internal Auditors). The Internal Auditors reports directly and provides assurance to Audit &amp; Risk Management Committee on the adequacy and effectiveness of risk management, internal control and governance systems. In carrying out its activities, the Internal Auditors has unrestricted access to the relevant records, personnel and physical properties.</p> <p>The Internal Auditors independently reviews the risk identification, assessment and control processes implemented by Management, and reports to Audit &amp; Risk Management Committee on a quarterly basis the outcome thereof. The Internal Auditors also reviews the internal control system within the Group based on a risk-based annual internal audit plan approved by the Audit &amp; Risk Management Committee. Its audit strategy and plan are based on the risk profiles of major business units of the Group.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>



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

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

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee which was renamed as the Audit &amp; Risk Management Committee on 7 November 2018 to assist the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group besides the overseeing the financial reporting.</p> <p><u>Chairman</u> Dato' Robert Teo Keng Tuan, an independent director is the chairman of the Audit &amp; Risk Management Committee.</p> <p><u>Members</u> Mr. Chia Chee Ming, Timothy – Senior Independent Director Ms. Chew Gek Khim – Non Executive Non Independent Director</p>

**Intended Outcome**

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

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities with support from NGL Tricor Governance Sdn Bhd (External Consultant). The Internal Audit function provides independent assurance on the adequacy and integrity of the risk management, internal control and governance processes.</p> <p>The Internal Auditor, who reports directly to the Audit &amp; Risk Management Committee, is responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 10.2

The board should disclose—

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has an independent Internal Audit function which is led by Mr. Yoon Choon Kong, the Internal Auditor who reports directly to the Audit &amp; Risk Management Committee. Mr. Yoon Choon Kong is an associate member of the Institute of Internal Auditors Malaysia and a certified Lead Auditor, National Registration Scheme for Lead Assessors of Quality Systems. During the financial year under review, he is supported by 3 staff in the Internal Audit Division and he does not have any conflict of interests with the Company.</p> <p>A summary of the work undertaken by the Internal Audit function during the financial year is as follows:</p> <ul style="list-style-type: none"><li>• Prepared the annual risk-based internal audit plan for the Committee's approval;</li><li>• Carried out internal audits of the Group on a risk-based basis to review the adequacy of internal controls in the auditable areas and to assess consistency in the compliance with established policies and procedures. Verification (on sampling basis) of the existence, adequacy and effectiveness of risk controls established by Management within the selected processes and/or sub-processes covering strategic, operational and financial aspects of the Group's operations;</li><li>• Issued internal audit reports to the Committee on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures and management action plans to mitigate identified risks, with copies extended to Management, highlighting deficiencies together with corresponding improvement opportunities. The Internal Auditor attended all Audit &amp; Risk Management Committee meetings and presented reports on areas of audit concern for the Committee's deliberation; and</li></ul>

	<ul style="list-style-type: none"> <li>Monitored remedial action taken by Management in response to recommendations made to address internal control deficiencies highlighted in previous cycles of internal audit.</li> </ul>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company recognises the importance of being transparent and accountable to its investors and, as such, has maintained an active and continuous communication between the Company and stakeholders that enables the Board and Management to communicate effectively with investors, financial community and the public generally. The various channels of communications are through the quarterly announcements on financial results and media release in relation thereto to Bursa and the SGX, relevant announcements and circulars, when necessary, AGM and through the Group's website at <a href="http://www.msmelt.com">www.msmelt.com</a> where shareholders can access corporate information, annual reports, press releases, financial information, company announcements, share prices and social responsibility reporting.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company, which is not a Large Company under the definition of Paragraph 2.6 of the Malaysian Code on Corporate Governance, is not required to adopt integrated reporting.	
		To enable stakeholders to make informed decision, the Company has disclosed in its Annual Report 2018, various statements in accordance with the Main Market Listing Requirements of Bursa Securities Malaysia Bhd.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company dispatches its notice of Annual General Meeting (“AGM”) to shareholders at least 28 days before the date of the meeting to enable shareholders to go through the annual report and papers supporting the resolutions proposed.</p> <p>The Company has dispatched its notice of AGM on 25 April 2019 to convene its AGM of the Company which is held on 24 May 2019.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	All directors have always committed to attend the general meetings.	
		At the last AGM, not all directors attended the Company's AGM as one director was absent due to urgent matters needed to be attended by him.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has a relatively small base of shareholders. Furthermore, the last AGM was held at Hotel Equatorial Penang, within city limits and not in remote location.	
		The AGM for this year will be held at Sama-Sama Hotel, KLIA, Sepang, Selangor which is not in remote location and near the KLIA train station.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
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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