



CAHYA MATA SARAWAK

SAMALAJU

Driving the
Next Wave of Growth

Corporate Governance
Report 2018

CORPORATE GOVERNANCE REPORT

STOCK CODE : 2852

COMPANY NAME : Cahya Mata Sarawak Berhad

FINANCIAL YEAR : 31 December 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 TO 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	The Board of CMS is responsible for the overall governance of the Group and is accountable to shareholders for the performance of CMS. The Board is committed to act in the best interests of the Company and its shareholders by exercising due diligence and care in discharging its duties and responsibilities. Specific powers are delegated by the Board to the Board Committees, Group Executive Director (GED), Group Chief Financial Officer (GCFO) and Group Chief Executive Officers (GCEOs). The three (3) Board Committees established by the Board to assist the Board in discharging its duties are the Group Audit Committee (GAC), Nomination & Remuneration Committee (NRC) and Group Risk Committee (GRC). Outlined below are some of the activities undertaken by the Board and Board Committees in 2018: 1. Review, challenge and approve the Group's strategic plan and direction and monitor its implementation by management The Board plays an active role in the development of the Group's strategic plans and direction. An annual Board Strategic Retreat is held together with the Senior Management team to discuss its long-term strategic objectives. In 2018 the Board Strategic Retreat was held in Kuching. This was followed shortly after by the Senior Management Retreat which was held in Bangkok. The Board subsequently approved the Group Management Plan (GMP) 2019 – 2021 in November. Progress of the respective Division's businesses are reported to the Board at every Board meeting throughout the year and half-year reviews are also conducted to monitor Senior Management's implementation of the approved strategic plans. 2. Internal control and risk management During the year, the Board, with recommendation of the GRC, reviewed and deliberated the top risks exposure for the Group and via the GAC, reviewed the adequacy and integrity of the Group's internal control systems.

	3. Succession planning The Board delegated its duty on succession planning to the NRC. In 2018, NRC had carried out the review of succession plans for the Directors including the succession planning framework for the Independent Chairman and Senior Management. 4. Monitoring and assessment of management performance At the start of each year, the Board, via the NRC, approves the KPI setting which is based on the approved GMP for Senior Management which is cascaded down to the employees of the Group. The KPI (half-year and final) are reviewed and reported to the Board via the NRC. The GAC approves and reviews the KPI for the Group Internal Auditor. 5. Effective communication with stakeholders During 2018 the Group's stakeholders were updated with the performance and financial results through engagements and press/media releases of the relevant information which were also made available on the Company's website at www.cmsb.com.my. 6. Corporate Governance (CG) review In 2018, the Board, via the GAC, continued to monitor the areas for improvement which were identified by the Group Internal Audit Department in its CG review. An annual review of the Board Charter and Board Committees' Terms of Reference (TOR) is carried out to ensure they are in line with the CG practices as guided by Main Market Listing Requirements and the Malaysian Code on Corporate Governance. These documents, last reviewed in February 2019, serve as reference and guide for the Board in discharging their responsibilities for the Company.
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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	The roles and responsibilities of the Chairman of the Board are specified in item 4.3 of the Board Charter which is available on the Company’s website at www.cmsb.com.my. The Chairman also plays a main role in ensuring effective conduct of the Board through the execution of the following: ▪ Guide and mediate the Board's actions with respect to organisational priorities and good governance ▪ Ensure the Board conducts itself in accordance with the Board Charter ▪ Ensure the Board meetings are conducted effectively with all relevant matters tabled in the agenda and that all Directors receive timely information and are properly briefed ▪ Ensure the general meetings are conducted effectively with all relevant matters tabled in the agenda and that all Shareholders receive timely information and are given the opportunities to ask questions at the meetings ▪ Ensure the Board is updated on material matters relating to the Group by the Senior Management ▪ Act as the major point of contact between the Board and GED ▪ Review progress regularly on important initiatives and significant issues facing the Group together with the Senior Management	
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	The separation of functions of the Board Chairman, GED and GCEOs is specified in item 4.6 of the Board Charter which is available on the Company’s website at www.cmsb.com.my. The separation of function of these roles ensures that there is a clear and proper division of power and authority. The Board Charter provides that the Chairman should be held by a 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

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

Practice 1.4

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

Application :	Applied
Explanation : on application of the practice	The Group Company Secretary is a person qualified to act as a company secretary under Section 235 (2) of the Companies Act 2016, in addition to the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) Practicing Scheme. The Group Company Secretary is an Associate member of MAICSA, with more than 20 years of experience in company secretarial practice. The Group Company Secretary's roles and responsibilities are specified in item 13.3 of the Board Charter which is available on the Company's website at www.cmsb.com.my. ▪ Advising the Board on its roles and responsibilities ▪ Working closely with the Chairman to raise all material compliance and governance issues ▪ Manage Board and Board Committee meeting logistics, attend and record minutes of meetings and facilitate Board communication ▪ Advising the Directors on corporate disclosures and compliance matters such as disclosure of interests, conflict of interest, prohibition of dealing in securities and restriction on disclosure of price-sensitive information ▪ Facilitating the induction of new Directors and assist in Directors' training and development ▪ Managing the process on shareholders' general meetings ▪ Monitor corporate governance developments and assist the Board in application of good corporate governance practices ▪ Serve as focal point for stakeholders' communication and engagement on corporate governance issues The Group Company Secretary keeps informed of regulatory changes and developments in corporate governance and Main Market Listing Requirements through continual education and professional training.
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

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	The timeline for distribution of Board notice, agenda items and papers is specified in item 7.2 of the Board Charter which is available on the Company’s website at www.cmsb.com.my. In 2018, the Company held the following meetings: <table><tr><th>Type</th><th>Scheduled</th><th>Special</th><th>Emergency</th></tr><tr><td>Board</td><td>5</td><td>1</td><td>1</td></tr><tr><td>GAC</td><td>5</td><td>-</td><td>-</td></tr><tr><td>NRC</td><td>4</td><td>-</td><td>-</td></tr><tr><td>GRC</td><td>4</td><td>-</td><td>-</td></tr></table> The Company also convened and held one (1) Independent Directors meeting in 2018. The Independent Directors have agreed to continue with the practice of holding at least one (1) such meeting each year. Save for the Emergency Board meeting, the agendas, reports and meeting papers are distributed in advance at least five (5) business days prior to the meetings to allow the Directors sufficient time to read through so that they can contribute effectively at the meetings. Meeting papers that are deemed urgent may still be submitted to the Group Company Secretary to be tabled to the Board and/or Board Committees at the respective meetings, subject to the approval of the Chairman or Board Committee Chairman respectively. Minutes of meetings are circulated to Board or Board Committee members by the Group Company Secretary within seven (7) days upon the conclusion of meetings.	Type	Scheduled	Special	Emergency	Board	5	1	1	GAC	5	-	-	NRC	4	-	-	GRC	4	-	-
Type	Scheduled	Special	Emergency																		
Board	5	1	1																		
GAC	5	-	-																		
NRC	4	-	-																		
GRC	4	-	-																		
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

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

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

Practice 2.1

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

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

Application :	Applied	
Explanation : on application of the practice	The Board Charter serves as a primary reference for prospective and existing Board members of their fiduciary duties as directors of the Company, and the functions of the Board Committees. It sets out amongst other things, the roles and responsibilities of the directors and Board Committee members. Under item 15 of the Board Charter, the Board will review the Board Charter periodically to keep it up to date and consistent with the Board's objectives taking into consideration the needs of the CMS Group as well as any development in rules and regulations that may impact on the Board's duties and responsibilities. In February 2019, the Board reviewed the Board Charter for the purpose of consistency with the Malaysian Code on Corporate Governance (MCCG), the Company's Constitution and TOR of the Board Committees. The latest Board Charter is available on the Company's website at www.cmsb.com.my.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 3.1

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

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

Application :	Applied
Explanation : on application of the practice	Code of Ethics In discharging its responsibilities, the Board observes the principles of ethical conduct as contained in the CMS Code of Ethics for Directors. The Directors' Code of Ethics details the ethical standards of behaviour and conduct expected from all Directors of the Group. All Directors have given their commitment to comply with the Directors' Code of Ethics through a signed declaration. The Directors' Code of Ethics are made available to the Directors and are also published on the Company's website at www.cmsb.com.my. Code of Conduct The Company has an established Code of Conduct which is also published on the Company's website at www.cmsb.com.my. Disclosure of Interests The Directors additionally have a duty to make an immediate declaration to the Board if they have interests in direct or indirect transactions within the Group. The interested Directors would serve notice to the Board and thereupon abstain from deliberation and decisions of the Board on the transactions in question. Where Directors are interested in a corporate proposal undertaken by the Company requiring the approval of the shareholders, the interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, on the resolutions pertaining to the corporate proposal. They will further undertake to ensure that persons connected to them also abstain from voting on the resolutions. Further, employees are required to disclose in writing any conflict of interests between their duties and personal interests.
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 3.2

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

Application :	Applied	
Explanation : on application of the practice	The Board has established a Whistle-Blowing Policy which is periodically reviewed and published on the Company’s website at www.cmsb.com.my. The Whistle-Blowing Policy provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group’s policies and guidelines as well as to flag concerns related to possible improprieties, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group. The Board is responsible for overseeing the implementation of the Whistle-Blowing Policy. Contact details on the Company website were also published to enable full access to external parties to lodge potential cases in full confidence and discretion.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.1

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

Application :	Applied		
Explanation : on application of the practice	The current status of the Board composition is:		
	Designation	No. of directors	Percentage (%)
	Executive Director	1	14
	Non-Independent Non-Executive Directors	2	29
	Independent Directors	4	57
	Total	7	100.00
Explanation : for departure			
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure :			
Timeframe :			

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied	
Explanation	:	None of the independent directors have served for a cumulative term limit of nine (9) years.	
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 4.3 - Step Up

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

Application	:	Applied	
Explanation : on application of the practice	:	The Company has a policy which limits the tenure of Independent Directors to cumulative terms of no more than nine (9) years. This policy is detailed in the Board Charter which is available on the Company's website at www.cmsb.com.my . On completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director.	
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 4.4

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	The Board has put in place the necessary selection criteria for the appointment of Directors. Through the Board Effectiveness Evaluation (BEE), the Directors are assessed annually and the findings are submitted to the NRC for review and endorsement by the Board. All potential nominees and/or candidates for appointment on the Board are first considered by the NRC taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. The NRC will then endorse the nominees and candidates for approval by the Board. The Board is mindful to improve gender diversity on the Board, however its view is that the leadership of the Board is critical and therefore even as it strives to comply with new regulations and/or principles, such new appointees to the Board must be done in accordance with the Board's planned succession based on merit. To this end the NRC and Board remain committed to achieve the target of 30% representation of women Directors. On senior management appointment, candidates are first considered by the NRC who considers their skills set, competencies, experience, integrity and other qualities prior to recommendation for approval by the Board. In respect of workforce diversity, the Group is committed to provide equal employment opportunities and practises merit-based promotion regardless of gender. Currently 79.68% of the Group's employees are male while 20.32% are female. The share of women employees has grown about 2.19% in 2018 compared to 2017. For positions of managerial and above, male employees account for 75.34% with female at 24.66%.
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 4.5

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

Application :	Departure
Explanation : on application of the practice	
Explanation : for departure	The Company has not adopted a formal gender diversity policy. The Board acknowledges the importance of board diversity, including gender, age and ethnicity diversity, to the effective functioning of the Board. In seeking potential candidates for new appointments, the Board shall take into account these various diversity factors to ensure the Board remains balanced. In this regard the NRC is responsible for reviewing and assessing the composition and performance of the Board. The NRC will also identify appropriate qualified persons to occupy Board positions. The NRC, in reviewing the Board composition, will consider the benefits of diversity in order to maintain the mix of skills, knowledge and experience of the Board underpinned by meritocracy which is the overriding focus and primary aim when selecting new candidates for Board memberships as well as evaluating the performance of the Board and each individual member. In 2018 the NRC met with and sought assistance from 30% Club Malaysia with regards to identifying potential candidates to increase the number of women directors on the board. 30% Club Malaysia referred the Company to the Institute of Corporate Directors Malaysia (ICDM) which was subsequently engaged by the Company to assist with the recruitment and selection of another lady director. Three (3) potential lady candidates were identified but not pursued as the Board, upon recommendation by the NRC, agreed instead to focus on recruiting a new Independent Chairman during the year. The NRC/Board will resume the search for suitable lady director(s) in 2019. The Board will continue to refresh its Board of Directors in a systematic manner to ensure there is continuity and balance in the composition.

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

Measure :	The Board, through NRC, had engaged with 30% Club Malaysia and ICDM on the recruitment and selection of another lady director.	
Timeframe :	Within 2 years	

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	:	In 2018 the Board, through NRC, had engaged with 30% Club Malaysia and ICDM on the recruitment and selection of another lady director. Three (3) potential lady candidates were identified but not pursued as the Board, upon recommendation by the NRC, agreed instead to focus on recruiting a new Independent Chairman during the year. The NRC/Board will resume the search for suitable lady director(s) in 2019.	
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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC is currently chaired by Tan Sri Abdul Rashid bin Abdul Manaf (Tan Sri Abdul Rashid) who was appointed on 26 February 2019 in place of Datu Hubert Thian Chong Hui (Datu Thian) who stepped down as the NRC chairman but remained as a member of NRC on 26 February 2019. Both Tan Sri Abdul Rashid and Datu Thian are Independent Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	The evaluation of the Board and Board Committees is specified in item 8 of the Board Charter which is available on the Company's website at www.cmsb.com.my. The NRC carries out the BEE exercise annually. An external consultant is engaged once every three (3) years to assist the NRC to facilitate an objective and candid board evaluation. The Board agreed to carry out the BEE 2018 by way of in house survey questionnaires which comprised the Board, Board Committees, Directors and Board Committee members' Self and Peer Assessment. The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and the Board's engagement, as well as the effectiveness of the Chairman. The assessment of individual Directors' contribution and performance is conducted based on performance criteria which are incorporated in the Directors' questionnaires. The effectiveness of the Board Committees is assessed in terms of structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees. In February 2019, the Board resolved to adopt the BEE 2018 results, which included the key areas for enhancement, as recommended by the NRC. The Board and Board Committees were self assessed as performing and, in many areas, exceeded expectations. For individual directors, peer assessment showed all directors are effective. The Board, through the NRC, also reviewed the following: ▪ Declarations by the four (4) independent directors. The Board was satisfied that they display independent judgement in the boardroom. ▪ Self-evaluation of the three (3) key officers, namely GCEO – Corporate, GCEO – Operations and GCFO. The Board was satisfied that they have the requisite character, experience, integrity, competence and time to effectively discharge their respective roles.

	▪ Directors' attendance at Board and Board Committee meetings in 2018 which is above the minimum requirements. All the Directors attended the 43rd AGM in 2018 and currently serve no more than five (5) public listed companies in Malaysia. ▪ The Board composition and structure and was satisfied with regards to the size and composition. The results of the BEE 2018 assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming AGM in 2019.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation : on application of the practice	:	The Board, through the NRC, approves the remuneration packages of the Directors and Senior Management of the Group. The NRC is responsible to review and recommend the Directors and Senior Management remuneration framework and policies to the Board. There is no change to the existing Non-Executive Directors' remuneration policy as detailed under Practice 6.2.	
Explanation :	:	for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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	CMS has a combined NRC which comprises exclusively of Non-Executive Directors. The NRC's roles and responsibilities are governed by its TOR which is reviewed annually and published in the Company's corporate website at www.cmsb.com.my. In 2018, a total of four (4) NRC meetings were held. One of the major topics discussed and approved at the NRC meetings is on the Independent Chairman succession plan which was approved at the NRC meeting held in August 2018. In November 2018, the NRC, with the recommendation of Head of Human Resource Department, recommended the Board to approve the proposals on guidelines for minimum wage adjustment 2019 and interim performance contract payment for employees of the Group for 2018. The proposals were approved by the Board in November 2018. In February 2019, the NRC, with the recommendation of Head of Human Resource Department, recommended the Board to approve the proposals on guidelines for annual salary increment for 2019 and the 2018 final performance contract payment for employees of the Group. The proposals were approved by the Board in February 2019. There is no change to the existing Non-Executive Director (NED)s' remuneration policy which is as set out below: CMS <table><tr><th>Description</th><th>Chairman</th><th>Deputy Chairman</th><th>NED who is Chairman of subsidiary company</th></tr><tr><td>Monthly Fixed Allowance</td><td>RM 50,000</td><td>RM 40,000</td><td>Nil</td></tr><tr><td>Other Benefits</td><td>Driver, motor vehicle, petrol</td><td>Driver, motor vehicle, petrol</td><td>Driver, motor vehicle, petrol</td></tr></table>	Description	Chairman	Deputy Chairman	NED who is Chairman of subsidiary company	Monthly Fixed Allowance	RM 50,000	RM 40,000	Nil	Other Benefits	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol
Description	Chairman	Deputy Chairman	NED who is Chairman of subsidiary company										
Monthly Fixed Allowance	RM 50,000	RM 40,000	Nil										
Other Benefits	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol										

	Board Committee Fees		Chairman	NED/Member
	Audit Committee		RM 24,000	RM 16,000
	Nomination and Remuneration Committee		RM 16,000	RM 12,000
	Group Risk Committee		RM 16,000	RM 12,000
	Type of Meeting Allowance (per meeting)		Chairman	NED/Member
	Board of CMSB		RM 2,000	RM 2,000
	General meeting of CMSB		RM 2,000	RM 2,000
	Board Committee		RM 2,000	RM 2,000
	Board of Subsidiary		RM 3,000	RM 2,000
	Directors' fees are paid in arrears on a monthly basis to directors of subsidiary companies of CMS.			
	Executive Directors are not entitled to Directors' fees or meetings allowances for Board and Board Committee meetings that they attend and are members of. Executive Directors who are appointed as nominated representatives on the Boards of subsidiary companies are also not entitled to Directors' fees and/or meetings allowances paid to the Boards of subsidiary companies. However, they are entitled to Directors' fees and/or meetings allowances paid to the Boards of listed and/or selected unlisted associate companies of the Group in view of their duties, responsibilities and time commitment on them.			
	The current Directors' fee policy for subsidiary companies in the Group is set out in the table below:			
	Subsidiary Company Directors' fee (per annum)		Chairman	NED/Member
Subsidiary company which achieves an annual turnover of RM 90 million and over		RM 18,000	RM 12,000	
Explanation : for departure				
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
Measure :				
Timeframe :				

Intended Outcome

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

Practice 7.1

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

Application :	Applied	
Explanation : on application of the practice	The disclosure of the remuneration of the Directors is made on a named basis in the Audited Financial Statements for the financial year 2018. Details of the Directors' Remuneration on named basis comprising remuneration received from CMS or subsidiary companies during 2018 are disclosed in Note 10 of the Audited Financial Statements which is available on the Company's website at www.cmsb.com.my .	
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

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 RM 50,000.

Application :	Departure	
Explanation : on application of the practice		
Explanation : for departure	In February 2019, the Board agreed to continue with the disclosure practice whereby the remuneration of top five (5) Senior Management for the year 2018 shall be made in successive bands of RM 50,000 (including the components of salary, bonus, benefits in-kind and other emoluments). The analysis is as follows:	
	Total Remuneration in Bands of RM 50,000	Number of Key Senior Management
	RM 1,650,001 to RM 1,700,000	1
	RM 1,500,001 to RM 1,550,000	1
	RM 1,350,001 to RM 1,400,000	1
	RM 1,100,001 to RM 1,150,000	1
	RM 800,001 to RM 850,000	1
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :	The Board will continue to review this annually taking into account the market practice in respect of such disclosure.	
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 application of the practice	
Explanation for departure	:	The Board has decided that the disclosure on the remuneration of top five (5) Senior Management shall be made in successive bands of RM 50,000 (including the components of salary, bonus, benefits in-kind and other emoluments).	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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 8.1

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

Application	:	Applied	
Explanation : on application of the practice	:	The GAC comprises three (3) members, majority of whom are Independent Non-Executive Directors. The GAC members are equipped with the breadth of financial expertise and commercial acumen that are most needed for them to discharge their responsibilities and fulfil their roles as audit committee members. The GAC Chairman, Mr Chin Mui Khiong is a fellow of The Association of Chartered Certified Accountant and a member of The Malaysian Institute of Accountants. He was appointed as Member of GAC on 3 August 2015 and re-designated as Chairman of GAC on 27 April 2016. The GAC Chairman 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 requirement that a former key audit partner is subject to observe a cooling-off period of at least two (2) years before he or she could be appointed as a member of the GAC is included in the GAC TOR. The GAC TOR is available on the Company’s website at www.cmsb.com.my .	
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	The GAC TOR requires the GAC to conduct an annual assessment of the external auditor's performance, independence and objectivity before recommending to the Board for appointment/re-appointment. This includes assessing their quality processes, audit team competency, audit scope and planning, fees including limit of non-audit fee size, and quality of communications including holding meetings with the external auditors without the presence of management. For the financial year ended 31 December 2018 the GAC assessed the objectivity, independence and service quality of the external auditors, Ernst & Young, in March 2019 and was satisfied that Ernst & Young were sufficiently resourced and had demonstrated their objectivity, independence and proficiency in carrying out the audit according to the audit scope and plan. The assessment was carried out by the GAC members individually and collectively and was facilitated by the Group Internal Auditor with relevant input from the Group Finance Department and the external auditors, where necessary. The assessment was carried out according to a structured questionnaire based on the Corporate Governance Guide – 3rd Edition 2017 (Bursa Malaysia) that covered areas such as calibre of the audit firm, quality processes, audit team competency, independence and objectivity, audit planning and scoping, audit fees, and communication.	
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

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 :	Not Adopted	
Explanation : on application of the practice		
Explanation : for departure	Two (2) out of three (3) members of the GAC comprises of Independent Non-Executive Directors.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :	On 9 May 2018 the Board appointed Madam Umang Nangku Jabu (Madam Umang) as a member of the GAC in place of Y A M Tan Sri Dato’ Seri Syed Anwar Jamalullail (Tan Sri Syed Anwar) who stepped down. The NRC/Board considered Madam Umang as the most suitable candidate given her financial literacy, accounting qualification and experience in another Malaysian public listed company where she is appointed chairman of its audit committee. The Board, through the NRC, has reviewed the composition of the Board Committees including the GAC in February 2019 where the members shall remain as status quo.	
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 8.5

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	All members of the Audit Committee are financially literate. Tan Sri Syed Anwar holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia. He is also a Chartered Accountant and a Certified Practising Accountant (Australia). Tan Sri Syed Anwar stepped down as a director/GAC member on 9 May 2018. Madam Umang was appointed as a member of the GAC in his place on 9 May 2018. Mr Chin Mui Khiong is a fellow of The Association of Chartered Certified Accountant and a member of The Malaysian Institute of Accountants and Y Bhg Datu Hubert Thian Chong Hui is the current chairman/director of several CMS subsidiaries. Madam Umang is chairman of the audit committee of another Malaysian public listed company. The Board, through the NRC, also reviews the terms of office of the GAC members and assesses their performance through the annual BEE. Their professional and other training during the year under review is listed below: Mr Chin Mui Khiong <table border="1"> <thead> <tr> <th>Organiser</th><th>Topic</th></tr> </thead> <tbody> <tr> <td>Aram Global Sdn Bhd</td><td>Anti-Corruption Summit 2018 – “Good Governance and Integrity for Sustainable Business Growth”</td></tr> <tr> <td>Bursa Malaysia Berhad</td><td>Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide</td></tr> <tr> <td>Cahaya Mata Sarawak Berhad</td><td>In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”</td></tr> <tr> <td>Crowe CPE Sdn Bhd</td><td>Sales Tax And Service Tax : “Implementation Workshop”</td></tr> <tr> <td>Ernst & Young</td><td>EY MFRS Seminar Series – “MFRS 16 Leases and Consideration of tax issues on adoption of MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases”</td></tr> </tbody> </table>	Organiser	Topic	Aram Global Sdn Bhd	Anti-Corruption Summit 2018 – “Good Governance and Integrity for Sustainable Business Growth”	Bursa Malaysia Berhad	Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	Cahaya Mata Sarawak Berhad	In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”	Crowe CPE Sdn Bhd	Sales Tax And Service Tax : “Implementation Workshop”	Ernst & Young	EY MFRS Seminar Series – “MFRS 16 Leases and Consideration of tax issues on adoption of MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases”
Organiser	Topic												
Aram Global Sdn Bhd	Anti-Corruption Summit 2018 – “Good Governance and Integrity for Sustainable Business Growth”												
Bursa Malaysia Berhad	Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide												
Cahaya Mata Sarawak Berhad	In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”												
Crowe CPE Sdn Bhd	Sales Tax And Service Tax : “Implementation Workshop”												
Ernst & Young	EY MFRS Seminar Series – “MFRS 16 Leases and Consideration of tax issues on adoption of MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases”												

Malaysian Institute of Accountants	Risk Management Conference 2018
Malaysian Institute of Accountants	Engagement Session with Public Practitioners : Strengthening the Profession Together (Sarawak)
Malaysian Institute of Corporate Governance	Corporate Governance Guide 3 rd Edition : “Moving from Aspiration to Actualisation”
Malaysian Institute of Corporate Governance	Annual Report & Sustainability Statement Disclosure Standards
Tricor Tax Services Sdn Bhd / JK Corporate Services Sdn Bhd	Tax Seminar – 2019 Malaysia Budget Proposals

Y Bhg Datu Hubert Thian Chong Hui

Organiser	Topic
Aram Global Sdn Bhd	Anti-Corruption Summit 2018 – “Good Governance and Integrity for Sustainable Business Growth”
Bursa Malaysia Berhad	Achieving 30% Women on Boards
Cahaya Mata Sarawak Berhad	In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”
Ernst & Young	Risk Awareness Training

Madam Umang Nangku Jabu

Organiser	Topic
AccountSoft Enterprise Sdn Bhd	GST to SST Seminar 2018
Cahaya Mata Sarawak Berhad	In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”
Malaysian Institute of Accountants	Understanding Public Rulings 2017 & 2018 – “Compliance and Latest Updates”

The training attended by Board members who are not GAC members during the year under review is listed below:

Y Bhg Tan Sri Abdul Rashid bin Abdul Manaf

Organiser	Topic
Bursa Malaysia Berhad	Breakfast Series on Non-Financials – Does it Matter?
Cahaya Mata Sarawak Berhad	In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”
Eco World Development Group Berhad	MCCG Compliance Expectations : Better Reporting Integrity, Transparency and Accountability

Y Bhg Dato Sri Mahmud Abu Bekir Taib

Organiser	Topic
Aram Global Sdn Bhd	Anti-Corruption Summit 2018 – “Good Governance and Integrity for Sustainable Business Growth”
Cahaya Mata Sarawak Berhad	In-house briefing on “Anti-Corruption and Anti-Bribery in Malaysia”
Malaysian Institute of Corporate Governance	7 th Annual National Conference 2018 – What’s New in Procurement Government

Y Bhg Datuk Syed Ahmad Alwee Alsree

Organiser	Topic
Kenanga Investment Bank Berhad	Purification: Zakat and Cleansing
Islamic Banking & Finance Institute Malaysia	Tawarruq

Y Bhg Datuk Seri Yam Kong Choy

Organiser	Topic
CIDB	International Construction Transformation Conference – Achieving Peak Productivity (As Delegate)
Rehda Institute	Executive Masterclass (Property Development – Sales & Marketing Management) Taught by C-Suites & Industry Leaders Second Module – Product Development, Branding (As Keynote Speaker)
PropTech	Digital Transformation Throughout The Property Lifecycle (As Delegate)
Alibaba's Cainiao	Cainiao Global Smart Logistics Summit (As Delegate)
Rehda Youth	Future Forward Forum 2018
FIDE	Credit Risk Management – Banking Sector
FIDE	Islamic Finance for Board of Directors' Programme
Rehda	Annual Property Developers Conference (CEO Series 2018) – Attracting Investments into Malaysia : Developing Malaysia as an International Real Estate Investment Destination (As Moderator)
ASLI	Open Dialogue with the Minister of Housing & Local Government – Seeking True Value In The Property Market (As Facilitator)
DBKL	World Energy Cities Partnership – Mayor's Track – Collaborative Actions Through Using Best Practices of Smart Sustainable Cities Towards A Vibrant Green Economy & Industry 4.0 In Cities (As Moderator)
CIOB Malaysia	CIDB.CIOB Novus Youth Arena Malaysia – Challenges Of the Young Professionals For The Built Environment : Professionalism Towards Excellence – Industry Forum Group Discussion (As Panelist)
FORBES Asia	FORBES Global CEO Conference – The World Reboots (As Delegate)
Airports Council International Asia Pacific	The Trinity Forum – The Global Airport Commercial Revenues Conference. The Changing Airport And Travel Retail Commercial Eco-System (As Delegate)

	Rahim & Co	Seminar on the Malaysian Property Market – New Governance and Budget 2019 (As Panelist)	
	Airport Council International	ACI Airport Exchange (As Delegate)	
Explanation : for departure			
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure :			
Timeframe :			

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation : on application of the practice	:	The Board recognises its responsibilities and the importance of sound risk management practices and internal control, and reviewing the adequacy and integrity of those systems. In discharging its stewardship responsibilities, the Board has established a sound risk management and internal control framework - Enterprise-Wide Risk Management Framework (ERM Framework) based on the MS ISO 31000:2010 Risk Management – Principles and Guidelines on Implementation, which is also consistent with the guidance provided to Directors as set out in the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”. The ERM Framework, which is embedded into the culture, processes and structure of the Group, and which is subject to review by the Board from time to time, provides an ongoing process for identifying, evaluating and managing major risks faced by the Group that may affect the achievement of its business objectives and strategies. However, the Board also recognises that the systems and the ERM Framework is a continuing process, designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. Therefore, the system of risk management and internal control implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.	
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	The Board via the GRC oversees the risk management matters of the Group, which include identifying, managing, monitoring, treating and mitigating significant risks across the Group. The GRC also assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group as well as to oversee the compliance and business continuity functions of the Group. Descriptions of the key elements of the Group’s risk management and internal control system and the adequacy and effectiveness of the framework can be found in the Statement on Risk Management and Internal Control in the Integrated 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

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 application of the practice	The GRC was established by the Board on 27 March 2009 and is guided by the GRC’s TOR which is reviewed annually. The GRC had comprised three (3) members, namely two (2) Independent Non-Executive Directors and the GED. The Chairman of the GRC is an Independent Non-Executive Director. The GRC TOR is available on the Company’s website at www.cmsb.com.my.	
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 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	The internal audit function (IAF) reports functionally to the GAC and administratively to the GCEO – Corporate. The IAF has full access to the GAC to discuss its functional matters at any time and meets with the GAC at least twice a year without the presence of management. This ensures the IAF is able to function independently and objectively without the undue influence of management. The IAF carries out its function in accordance with a recognised framework as established by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (ISPPIA). This has been affirmed by an external Quality Assurance Review carried out by the Institute of Internal Auditors Malaysia in August 2016 as part of an external Quality Assessment and Improvement Program (QAIP). In addition, the IAF carries out its own internal QAIP which is aimed at improving its internal audit quality processes and is reported to the GAC annually. The conduct of the IAF is governed by its Group Internal Audit Charter which is established consistent with the requirements of the ISPPIA and is approved by the GAC. The Charter is reviewed periodically to ensure it remains up-to-date with relevant legislation and standards. Staff members of the IAF are also required to annually confirm their adherence to the IIA's Code of Ethics and Confirmation of Independence which is tabled to the GAC. The performance evaluation of the Group Internal Auditor and staff members are tabled to the GAC annually where the GAC assesses the adequacy of resources and competency of the audit staff and ensures adequate training is provided to maintain an effective IAF. In addition, the GAC also has the power to decide on the appointment or removal of the Group Internal Auditor and approves his overall remuneration package. The annual audit plan is prepared by the IAF and is based on a risk analysis of all operations of the Group and includes resource planning for the IAF, and training budget and topics. The annual audit plan is subsequently tabled to and approved by the GAC. Any deviation from or amendment to the audit plan will be referred back to the GAC and progress monitoring is tabled at the quarterly GAC meetings.
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	All staff of the Internal Audit Function (IAF) comply to the IIA's Code of Ethics and are required to sign an annual confirmation to that effect. The Code of Ethics require all internal auditors to exercise and display qualities of integrity, independence, objectivity, confidentiality and competency in carrying out their duties. In addition, the IAF also confirms annually its organisational independence to the GAC and this is supported by individual members of the IAF signing their confirmation of organisational independence. The IAF is staffed by a total of eight (8) internal auditors including the Head of the IAF. Out of the eight (8), three (3) are Certified Internal Auditors (CIA) and the rest are in the process of obtaining their CIA qualification. The Head of the IAF is Mr Francis Lou Chee Ngee and is a Certified Internal Auditor as conferred by the Institute of Internal Auditors (the IIA). He holds a B. Management Studies (Finance) from the University of Waikato, New Zealand and has overall twenty-eight (28) years working experience in various fields i.e. auditing, finance and accounting, treasury, collective investment schemes, and internal auditing. He also holds a Certification in Risk Management Assurance (CRMA) from the IIA. The IAF carries out its function in accordance with a recognised framework as established by the IIA's International Standards for the Professional Practice of Internal Auditing (ISPPIA). This has been affirmed by an external Quality Assurance Review carried out by the Institute of Internal Auditors Malaysia in August 2016 as part of an external Quality Assessment and Improvement Program (QAIP).
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

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

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

Practice 11.1

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

Application :	Applied
Explanation : on application of the practice	The Board has in place an investor relations (IR) strategy to ensure an effective communication channel between the Company, its shareholders and the general public. The IR unit is headed by GCEO – Corporate and facilitates communication between the Company and the Investment Community. He is assisted by a new Head, Corporate Reputation and Communications who was appointed in 2018. Senior Management of the Company actively engages with the Investment Community and the Board is briefed on these interactions and feedback from the Investment Community. The IR unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the Investment Community abreast of the Company's strategic development and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors both locally and overseas. Twice a year, the IR unit provides reports to the Board on IR activities, comments by analysts or from the Investment Community, as well as commentary on share price information. The Board also receives a half year report on the shareholding structure, including any change to the holdings of substantial shareholders, of the Company. The timely release of financial results on a quarterly basis provides the Investment Community with an up-to-date view of the Group's performance and operations. The release of the quarterly financial results to Bursa Securities is accompanied by a press release is accompanied by a press release and shortly afterwards Senior Management hosts face to face briefings with and take calls from the Investment Community to address any questions or concerns they may have following the release of the quarterly financial results. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity. The contact information is available on the Company's website at www.cmsb.com.my.

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 :	Applied	
Explanation : on application of the practice	With continued support from the Board, the Company furthered its journey towards integrated reporting through the full adoption of the <IR> framework in this maiden integrated annual report for the financial year 2018. As part of the process, the working team conducted a gap analysis on the sections which needed to realign with <IR> practices. This lead to a reworking of the narrative to ensure that our readers understood how we use our resources to create value over time. Disclosures which helped to narrate the value creation journey were detailed and our position within the value chain is outlined. We believe that adopting the <IR> framework is important for the Company. <IR> provides a comprehensive framework to tell our story in a way that better meets the needs of shareholders and other stakeholders. We believe <IR> can help to better position CMS with investors and that taking an integrated approach helps us drive integrated thinking.	
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

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	:	The Company has already applied this practice. The Notice of the 43rd AGM of the Company held on 25 April 2018 was issued on 27 March 2018. The Notice of the forthcoming 44th AGM of the Company scheduled on 30 April 2019 is issued on 1 April 2019. The Company will continue to apply this practice.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation	:	At the 43 rd AGM held on 25 April 2018, all the eight (8) Directors were present in person to engage directly with shareholders. Amongst them, three (3) Directors were the Chairmen of the GAC, NRC and GRC respectively.	
on application of the practice		The proceedings of the 43 rd AGM included the former Group Managing Director (GMD)'s presentation of the Company's operating and financial performance for 2017 and a Questions & Answers session during which the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote.	
		The Directors, GCEOs, GCFO, Management and external auditors were in attendance to respond to the shareholders' queries. At the meeting the former GMD also read out the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group (MSWG).	
		The minutes of the 43 rd AGM, former GMD's presentation and responses to questions by MSWG are available on the Company's website at www.cmsb.com.my .	
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

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

Practice 12.3

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

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

Application	:	Departure	
Explanation	:	on application of the practice	
Explanation for departure	:	The AGM of the Company has always been held in an accessible location in Kuching. The Board acknowledges this practice encourages companies to enable shareholders to remotely participate in and vote at general meetings without being physically present. However, the Board's view is that the current technology to support remote participation and voting in absentia is not cost effective.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Board will continue to assess and review new and/or cost effective technologies to support remote participation and voting in absentia and may consider implementing the same in future.	
Timeframe	:		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO 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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