

CORPORATE GOVERNANCE REPORT

STOCK CODE : 2852

COMPANY NAME : Cahya Mata Sarawak Berhad

FINANCIAL YEAR : 31 December 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application :	Applied
Explanation : on application of the practice	<p>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 Managing Director (GMD), 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).</p> <p>Outlined below are some of the activities undertaken by the Board and Board Committees in 2017:</p> <ol style="list-style-type: none">1. Review, challenge and approve the Group's strategic plan and direction and monitor its implementation by management; <p>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 2017 the Board Strategic Retreat was held in Melaka. This was immediately followed by the Senior Management Retreat which was also held in Melaka. The Board subsequently approved the Group Management Plan (GMP) 2018 – 2020 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.</p>

	<p>2. Internal control and risk management</p> <p>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.</p> <p>3. Succession planning</p> <p>The Board delegated its duty on succession planning to the NRC. In 2017, NRC had carried out the review of succession plans for the Directors including the GMD and succession planning framework for Senior Management.</p> <p>4. Monitoring and assessment of management performance</p> <p>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.</p> <p>5. Effective communication with stakeholders</p> <p>During 2017 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.</p> <p>6. Corporate Governance (CG) review</p> <p>In 2017, the Board, via the GAC, carried out a CG review including a review of the Board Charter and Board Committees' Terms of Reference (TOR) to ensure they are in line with the CG practices as guided by Main Market Listing Requirements and the Malaysian Code on Corporate Governance. The Board also engaged Deloitte Enterprise Risk Services Sdn Bhd (Deloitte) to carry out a comprehensive CG review which included the Group policies review and Ernst & Young Advisory Services Sdn Bhd ("EYAS") to carry out the Board Charter review. The outcome of their respective review were discussed and recommended key enhancement areas were approved and adopted by the Board. These documents serve as reference and guide for the Board in discharging their responsibilities for the Company.</p>
Explanation : for departure	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application :	Applied
Explanation : on application of the practice	<p>The 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.</p> <p>The Chairman also plays a main role in ensuring effective conduct of the Board through the execution of the following:</p> <ul style="list-style-type: none">▪ 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 opportunity 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 the Group Executive Directors▪ 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	<p>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 the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), with more than 20 years of experience in company secretarial practice.</p> <p>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</p> <ul style="list-style-type: none">▪ 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 <p>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.</p>
Explanation : for departure	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.5

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

Application :	Applied															
Explanation : on application of the practice	<p>The 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.</p> <p>In 2017, the Company held the following meetings:</p> <table border="1"><thead><tr><th>Type</th><th>Scheduled</th><th>Special</th></tr></thead><tbody><tr><td>Board</td><td>5</td><td>1</td></tr><tr><td>GAC</td><td>5</td><td>-</td></tr><tr><td>NRC</td><td>4</td><td>1</td></tr><tr><td>GRC</td><td>4</td><td>-</td></tr></tbody></table> <p>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.</p>	Type	Scheduled	Special	Board	5	1	GAC	5	-	NRC	4	1	GRC	4	-
Type	Scheduled	Special														
Board	5	1														
GAC	5	-														
NRC	4	1														
GRC	4	-														
Explanation : for departure																
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																
Measure :																
Timeframe :																

Intended Outcome

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

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

Practice 2.1

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

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

Application :	Applied
Explanation : on application of the practice	<p>The Board Charter serves as a 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.</p> <p>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.</p> <p>In February 2018, the Board, having considered the report by EY on the Board Charter review, approved the revised Board Charter for the purpose of consistency with the Malaysian Code on Corporate Governance (MCCG), the ASEAN CG Scorecard, 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.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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	<p>Code of Ethics</p> <p>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.</p> <p>Code of Conduct</p> <p>The Company has an established Code of Conduct which is also published on the Company's website at www.cmsb.com.my.</p> <p>Disclosure of Interests</p> <p>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.</p>
Explanation : for departure	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 3.2

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

Application :	Applied
Explanation : on application of the practice	<p>The Board has established a Whistle-Blowing Policy which is periodically reviewed and published on the Company's website at www.cmsb.com.my.</p> <p>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.</p> <p>The Board is responsible for overseeing the implementation of the Whistle-Blowing Policy, and in 2017, the said policy was refreshed to set up specific contact information where all whistle-blowing reports shall be addressed to the GMD, Board Chairman and Deputy Chairman (subsequent to the GMD's retirement, this has been amended to GCEO - Corporate, Board Chairman and Deputy Chairman). 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.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 4.1

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

Application :	Departure															
Explanation : on application of the practice																
Explanation : for departure	<p>The current status of the Board composition is:</p> <table border="1"> <thead> <tr> <th>Designation</th> <th>No of directors</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Executive Director</td> <td>1</td> <td>12.50</td> </tr> <tr> <td>Non-Independent Non-Executive Directors</td> <td>3</td> <td>37.50</td> </tr> <tr> <td>Independent Directors</td> <td>4</td> <td>50.00</td> </tr> <tr> <td>Total</td> <td>8</td> <td>100.00</td> </tr> </tbody> </table> <p>The practice was observed at the beginning of the year under review. In endeavouring to strive for female board member representation, the composition of the board changed on 21 September 2017 when a new female director was appointed as a Non-Independent Non-Executive director. This appointment re-balanced the composition of the board to a fifty-fifty balance, Independent Directors to Non-Independent Directors, respectively. This fifty-fifty balance, however, fulfils Paragraph 15.02 (1) Chapter 15 of the MMLR which states “a listed issuer must ensure that at least 2 Directors or 1/3 of the Board of Directors of a listed issuer, whichever is higher, are Independent Directors”.</p>	Designation	No of directors	Percentage (%)	Executive Director	1	12.50	Non-Independent Non-Executive Directors	3	37.50	Independent Directors	4	50.00	Total	8	100.00
Designation	No of directors	Percentage (%)														
Executive Director	1	12.50														
Non-Independent Non-Executive Directors	3	37.50														
Independent Directors	4	50.00														
Total	8	100.00														
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																
Measure :	The Board and NRC have regular deliberation on the matter as part of the overall Board succession planning and are committed to achieve the objective of having a majority of independent directors, taking into consideration Practice 4.5 of the MCCG by 2020.															

Timeframe :	Within 3 years	
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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 : on application of the practice	<p>The Board considered the independence of the Directors when they were first appointed or in the event there are changes in circumstances that warrant re-evaluation of the Directors' independence.</p> <p>The Board, in reinforcing the independence of the Independent Non-Executive Directors, approved the revision of the Board Charter which specified in item 3.6 as follows:</p> <p>“The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon 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. If the Board intends to retain an Independent Director beyond nine (9) years, it shall justify and seek annual shareholders' approval. If the Board further intends to retain the Independent Director after the twelfth (12th) year, the Board shall seek annual shareholders' approval through a two-tier voting process as set out in the Malaysian Code on Corporate Governance”.</p> <p>There is currently one (1) Independent Non-Executive Director whose tenure has exceeded nine (9) years in the Company, namely, Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (“Y A M Tan Sri Syed Anwar”), who was appointed to the Board on 10 May 2006. At the 42nd AGM held on 26 April 2017 the proposal to retain Y A M Tan Sri Syed Anwar as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the MCCG 2012 was tabled and approved by Shareholders.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Applied
Explanation : on application of the practice	<p>The Company has a policy which limits the tenure of Independent Directors to cumulative terms of no more than nine years. This policy is detailed in the Board Charter which is available on the Company's website at www.cmsb.com.my.</p> <p>Furthermore, 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.</p> <p>Should the Board intend to retain the Independent Director beyond nine (9) years, the policy states that it shall justify and seek annual shareholders' approval. If the Company further intends to retain the Independent Director after twelve (12) years, the policy stipulates that the Board shall seek annual shareholders' approval through two-tier voting process as set out in the MCCG.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 4.4

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

Application :	Applied
Explanation : on application of the practice	<p>The Board 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In respect of workforce diversity, the Group is committed to provide equal employment opportunities and practises merit-based promotion regardless of gender. Currently 79.47% of the Group's employees are male while 20.53% are female. The share of women employees has grown about 12.32% in 2017 compared to 2016. For positions of managerial and above, male employees account for 76.43% with female at 23.57%.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.5

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

Application :	Departure
Explanation : on application of the practice	
Explanation : for departure	<p>Whilst 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.</p> <p>After a long search by the Board, the Company had appointed one female director on 21 September 2017 and will continue to refresh its Board of Directors in a systematic manner to ensure there is continuity and balance in the composition.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	<p>The Board is mindful of the requirement for 30% board to comprise of lady directors. 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 and other criteria such as mix of skills, technical expertise, background and experience.</p>

Timeframe :	Within 3 years	
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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 :	Not adopted	
Explanation : on application of the practice		
Explanation : for departure	<p>The identification for appointment of directors is largely based on recommendations from existing board members and/or major shareholders. All appointments of new Directors are subject to screening and appropriate recommendation of the NRC prior to consideration and approval of the Board.</p> <p>In 2017, the Company identified a suitable lady candidate during a corporate exercise undertaken by the Company and the recommendation for the appointment was tabled to the NRC for assessment and consideration. The NRC deliberated and approved the said recommendation to the Board after considering the said director's background, qualifications and experience as well as the diversity she brings to the Board in terms of ethnicity and gender. The NRC noted the said director's skills in managing businesses, local market knowledge and being well respected in the business community.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	The Board is of the view that it is in the best interest of the Company to appoint candidates who are nominated and/or recommended by reliable and known sources such as the management, Directors and/or shareholders of the Group as it is more likely these candidates, being known to them, would prove to have the requisite skills, technical expertise, local/industry knowledge and experience.	
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 chaired by Y A M Tan Sri Syed Anwar who is an Independent Director. The Board had deliberated at length on the subject and decided not to appoint a Senior Independent Director as the Board is of the view that the Chairman who heads the Board as an Independent Non-Executive Chairman and, as Chairman of NRC, also performs the role as a Senior Independent Director to whom concerns relating to the Company may be conveyed by the shareholders and stakeholders.
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 5.1

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

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

Application :	Applied
Explanation : on application of the practice	<p>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.</p> <p>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.</p> <p>In December 2017, the Board approved the BEE for 2017 to be conducted by an external consultant, i.e. EYAS. The last BEE assessment conducted by an external consultant, i.e. Deloitte, was for 2014.</p> <p>The BEE 2017 was conducted by EYAS through questionnaires which comprised the Board, Board Committees, Directors and Board Committee members' Self and Peer Assessment. In addition, EYAS carried out one-on-one interview sessions with Directors and selected members of Senior Management.</p> <p>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 and GMD. 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.</p> <p>In February 2018, the Board resolved to adopt the BEE 2017 results, which included a Board Skills Assessment Matrix and 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.</p>

	<p>The Board, through the NRC, also reviewed the following:</p> <ul style="list-style-type: none"> ▪ 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 2017 which is above the minimum requirements. All the Directors attended the 42nd AGM in 2017 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. <p>The results of the BEE 2017 assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming AGM in 2018.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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	<p>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.</p> <p>In 2017, a total of 5 NRC meetings were held. One of the major topics discussed and approved at the NRC meetings is on the GMD succession plan which was approved at the Special NRC meeting held on 3 July 2017.</p> <p>In February 2018, the NRC, with the recommendation of Head of Human Resource Department, recommended for the Board approval, the proposals on guidelines for annual salary increment 2018 and the 2017 performance contract payment for employees of the Group. The proposals were subsequently approved by the Board in February 2018.</p> <p>There is no change to the existing Non-Executive Director ("NED")s' remuneration policy which is as set out below:</p> <p>CMS</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Chairman</th> <th>Deputy Chairman</th> <th>NED who is Chairman of subsidiary company</th> </tr> </thead> <tbody> <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> </tbody> </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	RM24,000	RM16,000
Nomination and Remuneration Committee	RM16,000	RM12,000
Group Risk Committee	RM16,000	RM12,000

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

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 7.1

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	<p>The disclosure of the remuneration of the Directors is made on a named basis for the first time in the Audited Financial Statements for the financial year 2017.</p> <p>Details of the Directors' Remuneration on named basis comprising remuneration received from CMS or subsidiary companies during 2017 are disclosed in Note 10 of the Audited Financial Statements of the Annual Report 2017. Remuneration of the individual Directors consist of fees, meeting allowance, fixed allowances, benefits and gratuity for one (1) director who retired in 2017.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 7.2

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

Application :	Applied	
Explanation : on application of the practice	In February 2018, the Board decided that the disclosure on the remuneration of top 5 Senior Management for the year 2017 shall be made in successive bands of RM50,000 (including the components of salary, bonus, benefits in-kind and other emoluments). The analysis is as follows:	
	Total Remuneration in Bands of RM50,000	Number of Key Senior Management
	RM1,750,001 to RM1,800,000	1
	RM1,150,001 to RM1,200,000	1
	RM1,000,001 to RM1,050,000	1
	RM950,001 to RM1,000,000	1
	RM800,001 to RM 850,000	1
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 7.3 - 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 5 Senior Management shall be made in successive bands of RM50,000 (including the components of salary, bonus, benefits in-kind and other emoluments).	
<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 8.1

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

Application :	Applied
Explanation : on application of the practice	<p>The GAC comprises three (3) members, all 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.</p> <p>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. Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail is Chairman of the Board of CMS.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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 Board, via the GAC reviewed the Board Committees' TOR in November 2017. Following the said review, the Board approved the revisions to the GAC TOR which now provide for the requirements that 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. The revised 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	<p>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.</p> <p>For the financial year ended 31 December 2017 the GAC assessed the objectivity, independence and service quality of the external auditors, Ernst & Young, in March 2018 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 that covered the areas such as calibre of the audit firm, quality processes, audit team competency, independence and objectivity, audit planning and scoping, audit fees, and communication.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Applied	
Explanation : on application of the practice	The GAC comprises solely of Independent Non-Executive Directors.	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application :	Applied														
Explanation : on application of the practice	<p>All members of the Audit Committee are financially literate. Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail 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). 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. Their professional and other training during the year under review is listed below:</p> <p>Mr Chin Mui Khiong</p> <table border="1"><thead><tr><th>Organiser</th><th>Topic</th></tr></thead><tbody><tr><td>Ernst & Young</td><td>GST Latest Updates/Audit and Malaysian Withholding Tax</td></tr><tr><td>Ernst & Young</td><td>EY MFRS Series Seminar – MFRS 9 <i>Financial Instruments</i> and other developments in MFRS up to 30 June 2017</td></tr><tr><td>Ernst & Young</td><td>2018 Budget and Tax Conference</td></tr><tr><td>Aram Global Sdn Bhd</td><td>Seminar on implementing a risk management and internal control framework based on the Malaysian Code of Corporate Governance 2017</td></tr><tr><td>The Institute of Internal Auditors Malaysia</td><td>2017 IIA Malaysia National Conference – Internal Audit: Poised for the future</td></tr><tr><td>Malaysian Institute of Accountants</td><td>Updates of Accounts, Audit, AGM, Annual Return – Practical approaches</td></tr></tbody></table>	Organiser	Topic	Ernst & Young	GST Latest Updates/Audit and Malaysian Withholding Tax	Ernst & Young	EY MFRS Series Seminar – MFRS 9 <i>Financial Instruments</i> and other developments in MFRS up to 30 June 2017	Ernst & Young	2018 Budget and Tax Conference	Aram Global Sdn Bhd	Seminar on implementing a risk management and internal control framework based on the Malaysian Code of Corporate Governance 2017	The Institute of Internal Auditors Malaysia	2017 IIA Malaysia National Conference – Internal Audit: Poised for the future	Malaysian Institute of Accountants	Updates of Accounts, Audit, AGM, Annual Return – Practical approaches
Organiser	Topic														
Ernst & Young	GST Latest Updates/Audit and Malaysian Withholding Tax														
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The Institute of Internal Auditors Malaysia	2017 IIA Malaysia National Conference – Internal Audit: Poised for the future														
Malaysian Institute of Accountants	Updates of Accounts, Audit, AGM, Annual Return – Practical approaches														

and compliance issues under the Companies Act 2016

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Organiser	Topic
KPMG	Audit Committee Institute (ACI) Breakfast Roundtable 2017
Institute of Enterprise Risk Practitioners	Enterprise Risk Management – Harnessing Disruption
Nestlé	Update on Human Resource (FIEU Collective Agt., Blue Ocean, Nestle & I, Racial & Gender of Management Trainee)
Nestlé	Overview on Company Structure
Nestlé	Overview on Creating Shared Value
Nestlé	Update on Cyber Security
Nestlé	Overview on the Nestle Business Excellent
Nestlé	Update on the New Process of AGM-E-Voting Process
Nestlé	Overview on Procurement Hub
Nestlé	Overview on Corporate Purpose & Value
Nestlé	Overview on NESPRESSO
Nestlé	Overview on Diversity Plan (HR)
Nestlé	Overview on Cyber Security
IATA	KLIA: Long Term Traffic Forecast Review, Terminal Capacity & Level of Service (LoS) Assessment
Nestlé	Overview on Safety, Health & Environment
KPMG	Overview on Forensic Investigation
Nestlé	Overview on Marketing Services & Social Media
Nestlé	Overview on e-Commerce & Digital Economy

Y Bhg Datu Hubert Thian Chong Hui

Organiser	Topic
Tengis Corporate Services Sdn Bhd	The New Companies Act 2016 – Highlights on Key Changes
Asian World Summit Sdn Bhd	Cyber Fraud for Board
Securities Industry Development Corporation	Malaysian Code on Corporate Governance: A New Dimension

The Board, through the NRC, also reviews the terms of office of the GAC members and assesses their performance through an annual Board Committee effectiveness evaluation.

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

Y Bhg Dato Sri Mahmud Abu Bekir Taib

Organiser	Topic
Bursa Malaysia Berhad/ The Iclif Leadership and Governance Centre	Corporate Governance Series: Thought Leadership Session for Directors – “Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World”

Y Bhg Datuk Syed Ahmad Alwee Alsree

Organiser	Topic
Sarawak State Government	International ICT Infrastructure and Digital Economy Conference Sarawak 2017
Malaysian Institute of Corporate Governance	The New Malaysian Code on Corporate Governance 2016
Gasworld	MENA Industrial Gas Conference
World Islamic Economic Forum Foundation	13 th World Islamic Economic Forum – Disruptive Change : Impact and Challenges

Y D H Dato' Richard Alexander John Curtis

Organiser	Topic
Jabatan Kerja Raya Sarawak / CMS Roads Sdn Bhd	Management & Maintenance of Road Assets Using Performance Based Contract : Building on the Past for Sarawak's Future
LE Global Services Sdn Bhd	Cyber Security: Latest Threats and Defence Technology
The Iclif Leadership and Governance Centre	ICLIF Leadership Energy Summit Asia
World Islamic Economic Forum Foundation	13 th World Islamic Economic Forum – Disruptive Change : Impact and Challenges

Y Bhg Datuk Seri Yam Kong Choy

Organiser	Topic
Bursa Malaysia Berhad	Sustainability Forum for Directors/CEOs – “The Velocity of Global Change & Sustainability – The New Business Model”
CBRE	Asia Pacific Real Estate Market Outlook Malaysia – Opportunities in the New Normal : “Trends, Opportunities and Strategies for Competing in the New Soft Market”

	(as Panelist)
Malaysian Institute of Estate Agents ("MIEA")	Malaysian Annual Real Estate Convention 2017 (MAREC'17) – Transforming Your Real Estate Business in A Changing Era (as Keynote Speaker)
Malaysian Investment Development Authority	Specialised Building Materials Supply Chain Conference 2017 – "Bridging Gaps, Building Opportunities" – Local Suppliers Capabilities (as Moderator)
The Chartered Institute Of Building	Construction Contract Management Conference 2017 for Construction & The Built Environment – Construction Dispute Avoidance : The First Line of Defence in Contractual Dispute Management & Resolution (as Moderator)
Tax Free World Association	TFWA Asia Pacific Exhibition & Conference 2017
Bursatra Sdn Bhd	Program Latihan Pengarah (PROLAP) – Badan-Badan Berkanun: <ul style="list-style-type: none"> - The Legal & Regulatory Framework – Companies Act 2016 (Act 777) - Directorship Made Simple - Corporate Financial Reporting - Internal Auditing - The Board, Business Ethics & Governance
MIEA	ARENA Asian Real Este Network Alliance : Making Friends – Connecting Business <ul style="list-style-type: none"> - Invest Malaysia – Opportunities in Greater KL (as Speaker)
FORBES	Forbes Global CEO Conference : The Next Century
The Jeffrey Cheah Institute on Southeast Asia at Sunway University ("JCI") / Malaysian Economic Association ("MEA")	MEA Economic Seminar Series : Revisiting The New Economic Model – Lags & Prospects
ACI	Airports Council International ("ACI") Asia-Pacific : The Global Airport Commercial Revenue Conference
Rehda Institute	Rehda Institute CEO Series : Developing Malaysia as an attractive international Real Estate Investment Destination (as Moderator)
Madam Umang Nangku Jabu	
Organiser	Topic

	<table border="1"> <tr> <td>Malaysian Institute of Corporate Governance & Priority One Consultancy Services Sdn Bhd</td> <td>Governance Culture – What’s Possible</td> </tr> <tr> <td>Bursa Malaysia Berhad</td> <td>Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</td> </tr> <tr> <td>World Islamic Economic Forum Foundation</td> <td>13th World Islamic Economic Forum – Disruptive Change : Impact and Challenges</td> </tr> </table>	Malaysian Institute of Corporate Governance & Priority One Consultancy Services Sdn Bhd	Governance Culture – What’s Possible	Bursa Malaysia Berhad	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	World Islamic Economic Forum Foundation	13 th World Islamic Economic Forum – Disruptive Change : Impact and Challenges
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Explanation : for departure							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
Measure :							
Timeframe :							

Intended Outcome

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

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

Practice 9.1

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

Application :	Applied
Explanation : on application of the practice	<p>The Board recognises its responsibilities and the importance of sound risk management practices and internal control, and reviewing the adequacy and integrity of those systems.</p> <p>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.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 9.2

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

Application :	Applied	
Explanation : on application of the practice	<p>The 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.</p> <p>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 of Risk Management and Internal Controls in the Annual Report 2017.</p>	
Explanation : for departure		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.3 – 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	<p>The GRC was established by the Board on 27 March 2009 and is guided by the GRC's TOR which is reviewed annually.</p> <p>The GRC had comprised four (4) members, namely the GED, GMD and two (2) Independent Non-Executive Directors. With the issuance of this Practice in 2017, the Board reviewed the composition of the GRC on 29 November 2017 as well as approved the revision of the GRC's TOR which specified in item 1 as follows:</p> <p>“The Committee shall be appointed by the Board of Directors amongst its member of no fewer than three (3) members, shall comprise of the Group Executive Director and two (2) other Independent directors”.</p> <p>The GRC TOR is available on the Company's website at www.cmsb.com.my.</p> <p>The Board, via the NRC, also reviewed the composition of the GRC which was changed and refreshed to comply with item 1 of the GRC TOR and Practice 9.3 in November 2017. The revised composition of the GRC is as follows:</p> <table border="1" data-bbox="448 1509 1374 1753"> <thead> <tr> <th>GRC</th> <th>Name of Director</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Y Bhg Datuk Seri Yam Kong Choy</td> <td>Independent Director</td> </tr> <tr> <td>Member</td> <td>Y Bhg Datu Hubert Thian Chong Hui</td> <td>Independent Director</td> </tr> <tr> <td>Member</td> <td>Y Bhg Datuk Syed Ahmad Alwee Alsree</td> <td>Group Executive Director</td> </tr> </tbody> </table>			GRC	Name of Director	Designation	Chairman	Y Bhg Datuk Seri Yam Kong Choy	Independent Director	Member	Y Bhg Datu Hubert Thian Chong Hui	Independent Director	Member	Y Bhg Datuk Syed Ahmad Alwee Alsree	Group Executive Director
GRC	Name of Director	Designation													
Chairman	Y Bhg Datuk Seri Yam Kong Choy	Independent Director													
Member	Y Bhg Datu Hubert Thian Chong Hui	Independent Director													
Member	Y Bhg Datuk Syed Ahmad Alwee Alsree	Group Executive Director													
Explanation : for departure															
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>															

Measure :		
Timeframe :		

Intended Outcome

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

Practice 10.1

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

Application :	Applied
Explanation : on application of the practice	<p>The internal audit function (IAF) reports functionally to the GAC and administratively to the GMD (Group CEO – Corporate with effect from 1 January 2018). 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.</p> <p>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 (ISPPA). 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.</p> <p>The conduct of the IAF is governed by its Group Internal Audit Charter which is established consistent with the requirements of the ISPPA 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.</p> <p>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.</p> <p>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.</p>

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

Intended Outcome

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

Practice 10.2

The board should disclose—

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

Application :	Applied
Explanation : on application of the practice	<p>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.</p> <p>The IAF is staffed by a total of eight (8) internal auditors including the Head of the IAF. Out of the eight (8), two (2) are Certified Internal Auditors (CIA) and the rest are in the process of obtaining their CIA qualification.</p> <p>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 seven (27) years working experience in various fields i.e. auditing, finance and accounting, treasury, collective investment schemes, and internal auditing.</p> <p>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).</p>
Explanation : for departure	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.1

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

Application :	Applied
Explanation : on application of the practice	<p>The Board has in place an IR strategy to ensure an effective communication channel between the Company, its shareholders and the general public.</p> <p>The IR unit was previously headed by the GMD until his retirement on 31 December 2017. This role is now headed by GCEO – Corporate with effect from 1 January 2018. The IR unit facilitates communication between the Company and the Investment Community. 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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

Intended Outcome

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

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

Practice 11.2

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

Application :	Departure	
Explanation : on application of the practice		
Explanation : for departure	CMS, in its 2017 annual report, took steps to incorporate elements of the International Integrated Reporting Council's International Integrated Reporting Framework. The Company acknowledges the efficacies of venturing on an integrated reporting journey. The Company endeavours to develop a strategic reporting approach which better meets the needs of various stakeholders and achieve business sustainability. Such efforts are taking place and progressive steps being taken.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	The Board will work towards a strategic reporting approach and adopt the integrated reporting based on a globally recognised framework.	
Timeframe :	Within 3 years	

Intended Outcome

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

Practice 12.1

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

Application :	Applied
Explanation : on application of the practice	<p>The Notice of the AGM of the Company scheduled on 25 April 2018 has been issued at least twenty eight (28) days prior to the meeting. The additional time given to shareholders allows them to make the necessary arrangements to attend or participate through a proxy. More importantly, it allows shareholders ample time to consider and make informed decisions on the resolutions proposed.</p> <p>The Company also issues an AGM administrative guide with the Notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their right to appoint a proxy and information as to who may count as a proxy. The Company allows a member to appoint a proxy who need not be a member of the Company.</p> <p>The notes to the Notice of the 42nd AGM held on 26 April 2017 had provided detailed explanations for each resolution proposed.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 12.2

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

Application :	Applied
Explanation : on application of the practice	<p>At the 42nd AGM held on 26 April 2017, 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.</p> <p>The proceedings of the 42nd AGM included the 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.</p> <p>The Directors, GCFO, Management and external auditors were in attendance to respond to the shareholders' queries. At the meeting the GMD also read out the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group (MSWG).</p> <p>The minutes of the 42nd AGM, GMD's presentation and responses to questions by MSWG are available on the Company's website at www.cmsb.com.my.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 12.3

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

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

Application :	Applied
Explanation : on application of the practice	The Company has approximately 4,700 shareholders as at 31 December 2017. General meetings are held in Kuching, Sarawak with adequate notice of meeting given to shareholders. Shareholders who are unable to attend the general meetings may submit the proxy forms to 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 :	

**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.