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# Statement on Corporate Governance

The Board of Directors is committed towards adhering to the requirements and guidelines as per the Malaysian Code on Corporate Governance 2012 (Code) as well as the Main Market Listing Requirements (MMLR) and strives to adopt the substance behind the corporate governance prescriptions and not merely the form.

The Board has reviewed and approved this statement and is satisfied that during the financial year under review, the Group has complied with the MMLR and the principles and recommendations outlined in the Code. The Board does not regard that the tenure of the Independent Directors exceeding a cumulative term of nine years as a material departure from the recommendations as the Board will seek shareholders' approval at the Annual General Meeting as recommended by the Code.

Set out below is the manner in which the Group has applied the principles of good governance and the extent to which it has complied with the Code and the MMLR.

## BOARD OF DIRECTORS

### Board Roles and Responsibilities

The Board is responsible for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

The key responsibilities include the primary responsibilities prescribed under the Code. These cover a review of the strategic direction for the Group, overseeing and evaluating the business operations of the Group, reviewing the adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan and developing and implementing an investor relations programme. The responsibility for matters material to the Group is in the hands of the Board, with no individuals having unfettered powers to make decisions.

In this regard, the Board is guided by the documented and approved Board Charter and Limits of Authority which define matters which are specifically reserved for the Board and day-to-day management of the Group delegated to the Deputy Chairman/Group Managing Director. This formal structure of delegation is further cascaded by the Deputy Chairman/Group Managing Director to the Senior Management Team within the Group. However, the Deputy Chairman/Group Managing Director and the Senior Management Team remain accountable to the Board for the authority that is delegated.

## Board Charter

The Board had formalised a board charter (Board Charter) which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:

- Duties and responsibilities of the Board;
- Directors' Code of Ethics;
- Composition and Board balance;
- The role of Chairman and Chief Executive Officer;
- Appointments;
- Re-election;
- Supply of information;
- Separation of power;
- Board Committees;
- Remuneration;
- Financial reporting;
- General meetings;
- Investor relations and shareholders communication; and
- Relationship with other stakeholders (employees, environment, social responsibility)

The Board Charter is the primary document that elaborates on the fiduciary and leadership functions of the Directors. The current Board Charter was approved in 2013 and is available for reference at the Group's website, <http://www.boustead.com.my>.

## Directors' Code of Ethics

The approval and adoption of the Board Charter and Directors' Code of Ethics formalises the standard of ethical values and behaviour that is expected of the Directors at all times. The Board Charter and Directors' Code of Ethics are reviewed periodically to ensure their relevance and compliance.

## Sustainability

The Group is committed towards sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Group conducts its business. The Sustainability Report is set out in pages 78 to 87 of this annual report.

## Board Independence

The Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Immediate compliance to the recommendation may pose a disadvantage to the Company in terms of losing experienced Independent Directors who over time have developed increased insight into the Company and the diversified business operations of the Group. Their experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board as a whole. The Board believes the wide experience and

length of tenure of the Independent Directors on the Board do not interfere with their objective and independent judgement or their ability to act in the best interest of the Company. As such, as of now the Board does not believe that it should urgently impose a fixed term limit for Independent Directors.

However, as recommended by the Code, the Company will seek shareholders' approval at the Annual General Meeting in respect of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad, whose tenure have exceeded nine years. Both abstained from any Board deliberation pertaining to their independence.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in the MMLR. The MMLR's definition of independence includes a series of objective tests such as Director is not an employee of the Company and is not engaged in any type of business dealings with the Company. Thus far, the Board has determined and is satisfied that none of the Independent Directors engage in the day-to-day management of the Company, participate in any business dealings or are involved in any other relationship with the Company (other than in situations permitted by the applicable regulations).

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The Board complies with Paragraph 15.02 of the MMLR, which requires that at least two Directors or one-third of the Board of the Company, whichever is higher, are Independent Directors. During the financial year, none of the Independent Directors had any relationship that could materially interfere with his unfettered and independent judgement.

### Composition of the Board

The Board currently has six members, comprising two Executive Directors and four Non-Executive Directors. Three of the Directors are Independent Directors, which is in excess of the MMLR's requirement of one third. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.

A brief profile of each Director is presented on pages 14 to 19 of this annual report.

The Group practises the division of responsibility between the Chairman and the Deputy Chairman/Group Managing Director (GMD) and there is a balance of Executive, Non-Executive and Independent Non-Executive Directors. The roles of the Chairman and GMD are separate and clearly defined, and are held individually by two persons. The Chairman, who is an Independent Non-Executive Director, is primarily responsible for the orderly conduct and working of the Board whilst the GMD has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions. Presently, the Board does not have any female Directors but recognises the government's call for gender diversity. Although no specific target has been set, the Board is mindful that any gender representation should be for the best interest of the Company.

### Senior Independent Non-Executive Director

Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad is the Senior Independent Non-Executive Director. Any concerns regarding the Group may be conveyed to him. The Senior Independent Director serves as the point of contact on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders. He also provides a sounding board for the Chairman and serves as an intermediary for the other Directors.

### Conflict of Interest

The terms of the appointment of Directors include procedures for dealing with conflict of interest and the availability of independent professional advice. The Board believes that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interest of minority shareholders within the Group. To foster ethical and independent decision-making, the Company requires any Director that has any direct or indirect interest in a proposal or transaction being considered by the Board or its Board Committees to declare that interest and will not take part in the deliberations and decision-making.

### Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of the financial year to facilitate the Directors' planning.

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

The composition of the Board and the attendance of each Director at the Board meetings held during the year are as follows:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Gen. Tan Sri Dato' Mohd. Ghazali Hj Che Mat (R)	Chairman Non-Executive Director	Yes	5/5
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Deputy Chairman/ Group Managing Director	No	5/5
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	Non-Executive Director	Yes	5/5
Datuk Azzat Kamaludin	Non-Executive Director	No	4/5
Dato' Sri Ghazali Mohd Ali	Executive Director	No	5/5
Datuk Francis Tan Leh Kiah	Non-Executive Director	Yes	5/5

### Information for the Board

Board members are provided with Board papers in advance before each Board meeting for decision, including the overall Group strategy and direction, acquisitions and divestments, approval of major capital expenditure projects and significant financial matters. Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on the Group's performance and major operational, financial and corporate issues. Monthly reports on the financial performance of the Group are also circulated to the Directors. Minutes of the Board Committees are tabled at the Board meetings for the Board's information and deliberation.

The Board may seek advice from Management on issues pertaining to the business and operations of the Group. The Board may seek independent professional advice at the Company's expense in discharging its various duties.

### Company Secretary

In performing their duties, all Directors have access to advice and services of a qualified Company Secretary. The Company Secretary attends all Board meetings and advises the Board on procedures and requirements under the Company's Articles of Association, the Companies Act and the MMLR. The Company Secretary also ensures that there is good information flow within the Board, Board Committees and Senior Management.

The Company Secretary ensures that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretary on the follow-up of its decisions and recommendations by the Management.

### Re-election of Directors

In accordance with Article 111 of the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. Article 105 further provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

### Board Appointments

Appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation by the Nominating Committee. The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. All new appointees will be considered and evaluated by the Nominating Committee for the candidates' ability in terms of their skills, knowledge, experience, expertise and integrity to discharge responsibilities as expected of them. In the case of a candidate for Independent Non-Executive Director, the Nominating Committee also evaluates the candidate's ability to discharge such responsibility or functions as expected of an Independent

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Non-Executive Director. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

### Board Commitment

The Directors are aware of the time commitment expected from each of them including attendance at Board, Board Committee and other types of meetings. With that, each Director has devoted their time sufficiently in carrying out their responsibilities.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. The Company has adopted an induction programme for newly appointed Directors. The induction programme aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Chairman is primarily responsible for the induction programme with appropriate assistance from other Senior Executive Directors.

### Board Assessment

Board evaluation is carried out by the Nominating Committee. Upon the assessment of the Board and Board Committees, the Committee was satisfied that the Board composition had the criteria required: a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect among Directors which contributed to a healthy environment to deliberate and good decision-making process.

### Directors' Training

The Company has adopted educational/training programmes to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.

All Board members are encouraged to attend training programmes conducted by highly competent professionals that are relevant to the Company's operations and businesses. They continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with the MMLR.

All the Directors have attended trainings during the year, details as set out below:

Director	Course Title And Organiser	Date
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	• Half Day Risk Management Workshop on Cyber-Security and Fraud (IBM/Affin Holdings Berhad)	9 May 2016
	• Powertalk : What Will Distinguish the Great Boards of Tomorrow (Malaysian Directors Academy/Lembaga Tabung Angkatan Tentera)	25 July 2016
	• 12th World Islamic Economic Forum – Decentralising Growth, Empowering Future Business (World Islamic Economic Forum Foundation)	2 and 3 August 2016

Director	Course Title And Organiser	Date
Tan Sri Dato' Seri Lodin Wok Kamaruddin	<ul style="list-style-type: none"> <li>SEACEN Conference on Central Bank Cooperation and Mandates (The South East Asian Central Banks Research and Training Centre)</li> </ul>	14 March 2016
	<ul style="list-style-type: none"> <li>Global Emerging Markets Programme 2016 - Risk and Vulnerability of Global Markets: Reinforcing Resilience in Emerging Markets (Securities Commission)</li> </ul>	15 March 2016
	<ul style="list-style-type: none"> <li>Independent Directors Programme: "The Essence of Independence" (Bursa Malaysia and ICLIF)</li> </ul>	28 March 2016
	<ul style="list-style-type: none"> <li>Corporate Governance Breakfast Series with Directors "The Strategy, the Leadership, the Stakeholders and the Board" (Bursa Malaysia and Malaysian Directors Academy)</li> </ul>	6 May 2016
	<ul style="list-style-type: none"> <li>Half Day Risk Management Workshop on Cyber-Security and Fraud (Affin Holdings Berhad/IBM)</li> </ul>	9 May 2016
	<ul style="list-style-type: none"> <li>12th World Islamic Economic Forum – Decentralising Growth, Empowering Future Business (World Islamic Economic Forum Foundation)</li> </ul>	2 August 2016
	<ul style="list-style-type: none"> <li>Advocacy Sessions on Management Discussion &amp; Analysis (MD&amp;A) for CEO and CFO of Listed Companies (Bursa Malaysia)</li> </ul>	8 August 2016
	<ul style="list-style-type: none"> <li>Half Day Talk On:               <ul style="list-style-type: none"> <li>Shariah Non-Compliance Risk And Its Impact to Islamic Banks</li> <li>MFRS 9 - Financial Instruments And Key Audit Matters</li> <li>Internal Capital Adequacy Assessment Process (ICAAP) (Affin Holdings Berhad)</li> </ul> </li> </ul>	26 September 2016
	<ul style="list-style-type: none"> <li>Half Day Talk On:               <ul style="list-style-type: none"> <li>Amendments to Listing Requirements Of Bursa Malaysia Securities Berhad</li> <li>Companies Act 2016</li> <li>Proposed Code Of Corporate Governance 2016</li> <li>Policy Document On Corporate Governance by Bank Negara Malaysia (Affin Holdings Berhad)</li> </ul> </li> </ul>	10 November 2016
	<ul style="list-style-type: none"> <li>Corporate Governance Breakfast Series with Directors: "The Cybersecurity Threat and How Board Should Mitigate the Risks" (Bursa Malaysia and Malaysian Directors Academy)</li> </ul>	18 November 2016

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Director	Course Title And Organiser	Date
Datuk Azzat Kamaludin	• Bursa Sustainability Engagement Series For Directors/ CEOs (Bursa Malaysia)	2 June 2016
	• GSMA Mobile World Congress Shanghai (GSMA)	29 June to 1 July 2016
	• LTAT- Power Talk "What Will Distinguish The Great Boards Of Tomorrow" (Malaysian Directors Academy)	25 July 2016
	• Petronas Foundational Programme #1 (Malaysian Directors Academy)	6 September 2016
	• Khazanah Megatrends Forum 2016 (Khazanah Nasional)	26 to 27 September 2016
	• CG Breakfast Series With Directors: "The Cybersecurity Threat And How Board Should Mitigate The Risks" (Bursa Malaysia)	18 November 2016
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	• Powertalk : What Will Distinguish the Great Boards of Tomorrow (Malaysian Directors Academy/Lembaga Tabung Angkatan Tentera)	25 July 2016
	• Half Day Talk On i) Shariah Non-Compliance Risk And Its Impact to Islamic Banks ii) MFRS 9 - Financial Instruments And Key Audit Matters iii) Internal Capital Adequacy Assessment Process (ICAAP) (Affin Holdings Berhad)	26 September 2016

Director	Course Title And Organiser	Date
Dato' Sri Ghazali Mohd Ali	<ul style="list-style-type: none"> <li data-bbox="574 544 1285 634">• 9th Malaysian Property Summit 2016 (Persatuan Penilai, Pengurus Harta, Ejen Harta &amp; Perunding Harta Swasta Malaysia (PEPS))</li> <li data-bbox="574 666 1050 725">• 12th Khazanah Annual Review Briefing (Khazanah Nasional Berhad)</li> <li data-bbox="574 757 996 817">• 8th Iskandar Malaysia CEO Forum (Khazanah Nasional Berhad)</li> <li data-bbox="574 849 1232 938">• Talk : The outlook of the world's economy : Challenges and opportunities for Malaysia companies (Permodalan Nasional Berhad)</li> <li data-bbox="574 970 1207 1059">• Powertalk : What Will Distinguish the Great Boards of Tomorrow (Malaysian Directors Academy/ Lembaga Tabung Angkatan Tentera)</li> <li data-bbox="574 1091 1191 1151">• Talk: The Direction of Global Competition Malaysia (PNB Investment Institute Sdn Bhd)</li> <li data-bbox="574 1183 1009 1242">• Khazanah Megatrends Forum 2016 (Khazanah Nasional Berhad)</li> <li data-bbox="574 1274 1232 1300">• The Quarterly Subscribers Forum (Jones Lang Wootton)</li> </ul>	<p data-bbox="1319 544 1509 570">20 January 2016</p> <p data-bbox="1319 666 1509 691">28 January 2016</p> <p data-bbox="1319 757 1488 783">21 March 2016</p> <p data-bbox="1319 849 1466 874">30 May 2016</p> <p data-bbox="1319 970 1458 995">25 July 2016</p> <p data-bbox="1319 1091 1483 1117">2 August 2016</p> <p data-bbox="1319 1183 1542 1208">27 September 2016</p> <p data-bbox="1319 1274 1538 1300">16 November 2016</p>
Datuk Francis Tan Leh Kiah	<ul style="list-style-type: none"> <li data-bbox="574 1325 1087 1351">• AIF Distinguished Speaker Series 2016 (AIF)</li> <li data-bbox="574 1383 1191 1449">• Sustainability Engagement Series for Directors/CEO (Bursa Malaysia)</li> <li data-bbox="574 1481 1149 1570">• Amendments To Bursa's Listing Requirements - How To Rise Up To Meet Those Challenges (Malaysian Institute of Corporate Governance)</li> <li data-bbox="574 1602 1020 1661">• National Tax Conference 2016 (Chartered Tax Institute of Malaysia)</li> <li data-bbox="574 1693 1009 1753">• Audit Committee Leadership Track (Institute of Internal Auditors)</li> <li data-bbox="574 1785 1281 1844">• Budget 2017 Tax Seminar : Managing Your Tax Affairs in the Current Economic Environment (BDO Malaysia)</li> <li data-bbox="574 1876 1281 1964">• MAICSA Symposium 2016 : Companies Act 2016 – Navigating The Changes (Malaysian Institute of Chartered Secretaries and Administrators (MAICSA))</li> </ul>	<p data-bbox="1319 1325 1509 1351">19 January 2016</p> <p data-bbox="1319 1383 1458 1408">1 June 2016</p> <p data-bbox="1319 1481 1458 1506">21 July 2016</p> <p data-bbox="1319 1602 1538 1627">9 &amp; 10 August 2016</p> <p data-bbox="1319 1693 1509 1719">11 October 2016</p> <p data-bbox="1319 1785 1526 1810">1 November 2016</p> <p data-bbox="1319 1876 1526 1902">5 December 2016</p>



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### Directors' Remuneration

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved. The level of remuneration for the Group Managing Director and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. A review of the Executive Directors' remuneration is undertaken no less frequently than once every three years.

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2016 for Boustead Holdings Berhad and its group of companies are as follows:

	Group			Company		
	Non-Executive Directors RM'000	Executive Directors RM'000	Total RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	894	402	1,296	542	–	542
Salaries	–	2,882	2,882	–	1,807	1,807
Bonuses	–	1,289	1,289	–	861	861
Employees provident fund contribution	–	656	656	–	431	431
Benefits in kind & allowances	110	687	797	110	598	708
Meeting Allowances	115	27	142	83	–	83
<b>Total</b>	<b>1,119</b>	<b>5,943</b>	<b>7,062</b>	<b>735</b>	<b>3,697</b>	<b>4,432</b>

Remuneration paid to Directors of Boustead Holdings Berhad and its group of companies during the year analysed into bands of RM50,000, which complies with the disclosure requirements under the MMLR is as follows:

	Group		Company*	
	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000
Up to RM100,001 to RM150,000	1	–	1	–
From RM150,001 to RM200,000	1	–	2	–
From RM250,001 to RM300,000	–	–	1	–
From RM300,001 to RM350,000	1	–	–	–
From RM450,001 to RM500,000	1	–	–	–
From RM1,800,001 to RM1,850,000	–	1	–	–
From RM3,650,001 to RM3,700,000	–	–	–	1
From RM4,100,000 to RM4,150,000	–	1	–	–

\* An Executive Director received remuneration from a Subsidiary but not from the Company.

## BOARD COMMITTEES

The Board has established the following Committees to assist the Board in the execution of its duties:

- **Audit Committee**
- **Nominating Committee**
- **Remuneration Committee**
- **Sustainability Committee**

Independent Non-Executive Directors play a leading role in Board Committees. The Management and third parties are co-opted to the Committees as and when required.

The Board Charter outlines the functions, duties and responsibilities of the above Board Committees, in line with the Board's objective in pursuing good governance practice.

## Audit Committee

The Company has an Audit Committee whose composition meets the MMLR, where Independent Directors form the majority. All members of the Audit Committee are financially literate, while the Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors.

The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in this annual report.

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### Nominating Committee

The Nominating Committee comprises entirely Non-Executive Directors, a majority of whom are independent and is chaired by an Independent Director. The composition of the Nominating Committee is as follows:

**Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad**

(Chairman)

**Gen. Tan Sri Dato' Mohd Ghazali**

**Hj. Che Mat (R)**

**Datuk Azzat Kamaludin**

The Nominating Committee is responsible for proposing new nominees to the Board and Board Committees, for assessing on an annual basis, the contribution of each individual Director and the overall effectiveness of the Board. The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the Nominating Committee.

The Terms of Reference of the Nominating Committee include:

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.
- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.

- To establish the mechanism for the formal assessment of the effectiveness of individual Director, and to annually appraise the performance of the Executive Directors including the Group Managing Director based on objective performance criteria as approved by the Board.
- To recommend to the Board with regard to plans for succession for Directors and Senior Management.

The Nominating Committee met twice during the year which it recommended to the Board amongst others, the re-election of Directors who retired at the 2016 Annual General Meeting and the contract renewal of certain members of Senior Management. The Nominating Committee also carried out the assessment on the Board and Board Committees.

### Remuneration Committee

The Remuneration Committee consists of the following Directors, a majority of whom are Non-Executive Directors:

**Datuk Azzat Kamaludin** (Chairman)

**Gen. Tan Sri Dato' Mohd Ghazali**

**Hj. Che Mat (R)**

**Tan Sri Dato' Seri Lodin Wok**

**Kamaruddin**

**Dato' Wira (Dr.) Megat Abdul**

**Rahman Megat Ahmad**

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Group Managing Director, Executive Director and Senior Management on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the Group Managing Director and the Executive Director with each individual Director abstaining from decisions in respect of his own remuneration.

In establishing the level of remuneration for the Group Managing Director, Executive Director and Senior Management, the Remuneration Committee has regard to packages offered by comparable companies, and may obtain independent advice.

The remuneration of the Group Managing Director and the Executive Director comprises a fixed salary and allowances, and a bonus approved by the Board which is linked to the Group's performance. The remuneration for Non-Executive Directors comprises annual fees, meeting allowance of between RM1,000 to RM2,000 each for every meeting that they attend, and reimbursement of expenses for their services in connection with Board and Board Committee meetings.

The Terms of Reference of the Remuneration Committee include:

- To review annually and make recommendations to the Board the remuneration packages, reward structure and fringe benefits applicable to all Executive Directors and Senior Management to ensure that the rewards commensurate with their contributions to the Group's growth and profitability.
- To establish, review and recommend to the Board the remuneration packages of each individual Executive Director.
- To ensure that the level of remuneration of the Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

- To keep abreast of the terms and conditions of service of the Group Managing Director, the Executive Director and key Senior Management including their total remuneration packages for market comparability; and to review and recommend to the Board changes whenever necessary.
- To keep abreast of the remuneration packages of the Non-Executive Directors to ensure that they commensurate with the scope of responsibilities held and to review and recommend to the Board changes whenever necessary.

The Remuneration Committee met twice during the year and recommended to the Board amongst others, the salary increment and bonus of key Senior Management and the salary increment rate for the Group.

### Sustainability Committee

The Board established the Sustainability Committee on 28 December 2016 which is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving the Company's sustainability milestones and goals. The members of the Sustainability Committee comprise:

**Tan Sri Dato' Seri Lodin Wok Kamaruddin** (Chairman)  
**Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad**  
**Datuk Francis Tan Leh Kiah**

The Terms of Reference of the Sustainability Committee are as follows:

- To advise the Board and recommending to it, the business strategies in the area of sustainability;
- To monitor the implementation of sustainability strategies as approved by the Board;
- To recommend sustainability related policies for adoption, and monitoring the implementation of the policies;
- To recommend sustainability matters identified as material to the Board for its approval;
- To oversee the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;
- To oversee the management of sustainability matters, with particular focus on matters material to the organisation; and
- To oversee the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

At the Committee's inaugural meeting, the Committee discussed and agreed on the governance structure for the Company's Sustainability Management, the Company's Sustainability Management Plan and the scope and basis of the Company's Sustainability Report.

### ACCOUNTABILITY AND AUDIT

The Board has established an Audit Committee to review the integrity of financial reporting and to oversee the independence of external auditors.

#### Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Before the financial statements are drawn up, the Directors have taken the necessary steps to ensure all the applicable accounting policies are applied consistently, and that the policies are supported by reasonable and prudent judgement and estimates. All accounting standards, which the Board considers to be applicable, have been followed. The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Audit Committee Report in this annual report.

#### Related Party Transactions

The Group has an internal framework and policy for Related Party Transactions (RPT) to ensure that all transactions with related parties are entered at arm's length, on normal commercial terms and on terms that are not detrimental to the minority shareholders. Directors recognise that they have to declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter.

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All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of Management integrity to arise. The Company had obtained its shareholders' mandate for recurrent RPTs of a revenue or trading nature at the annual general meeting. Details of related party transactions are set out in Note 43 to the annual financial statements.

### Internal Control

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational controls, compliance controls and risk management.

The information on the Group's internal control is presented in the Statement on Risk Management and Internal Control in this annual report.

### Relationship and Assessment of External Auditors

The Board is aware of the potential conflict of interest situation in the event the external auditors are also providing non-audit services to the Group. In this regards, the Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The Audit Committee has also received the annual confirmation of the external auditors' independence in accordance

with the relevant professional and regulatory requirements. The Audit Committee believes that auditors' performance has been satisfactory and supports the resolution for their reappointment at the forthcoming Annual General Meeting. During the financial year, two (2) sessions between the Audit Committee and the external auditors in the absence of Management were held for better exchange of views between both parties in relation to financial reporting. The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report in the annual report.

## RECOGNISE AND MANAGE RISKS

### Sound Framework to Manage Material Business Risks

The Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. As required by the Board, the Management has devised and implemented appropriate risk management systems and reports to the Board and Senior Management. Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Board via the Risk Management Committee. The Group maintains detailed risk registers which are reviewed and updated on quarterly basis. Key focus areas of risks are reported and deliberated at the Audit Committee meetings. The Board has received, and will continue to receive periodic reports through the Risk Management Committee, summarising the results of risk management issues and initiatives at the Group.

### Internal Audit Function

The Group has an internal audit function that is independent of the Company's activities and operations. The Head of Group Internal Audit reports directly to the Audit Committee who reviews and approves the internal audit department's annual audit plan, financial budget and human resource requirements to ensure that the department is adequately resourced with competent and proficient internal auditors.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control of this annual report.

### Whistle-Blowing

The Group is committed in preserving and protecting the interest and reputation at all times. In line with this commitment, the Group expects the highest standards of integrity and accountability from all employees. Any acts of wrongdoing on the part of the employee are viewed seriously and as such, disciplinary and/or remedial action as appropriate shall be taken. In this respect, the whistle-blowing policy has been established as a means of deterring wrongdoing and promoting transparency and good governance. The policy also provides guidelines for the reporting and investigation of any acts of wrongdoing.

The Board and Management give their assurance that employees or third parties can raise serious concerns within the Group without fear of victimisation, subsequent discrimination or disadvantage provided that they are done in good faith.

Dedicated channels for reporting have been set up which among others, include a written letter with the required information to identify key management as stipulated in the policy or email to **alert@boustead.com.my**. All concerns raised will be reviewed and deliberated by the Investigation Committee comprising Heads of Group Human Capital, Legal and Internal Audit. A report and updates on the fraud cases are provided to the Audit Committee on a quarterly basis.

### TIMELY DISCLOSURE AND INVESTOR RELATIONS

The Company is fully committed to maintain a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the annual report, announcements to Bursa Malaysia, media releases, quarterly results analyst briefings, company website and investor relations.

The annual report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information. Apart from the mandatory public announcements through Bursa Malaysia, the Group's website at **http://www.boustead.com.my** provides corporate, financial and non-financial information. Through the website, shareholders are able to direct queries to the Company.

The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby enabling investors to make informed decisions in valuing the Company's shares.

The Deputy Chairman/Group Managing Director and the Senior Management meet regularly with analysts, institutional shareholders and investors. The Share Registrar is available to attend to matters relating to shareholder interests. The primary contact for investor relations matters is:

#### Encik Fahmy bin Ismail

Director, Financial Services  
Telephone Number: 03-20317749  
Email:  
fahmy.cpd@boustead.com.my

Encik Fahmy graduated with a Bachelor of Commerce in Accounting and Finance from University of Sydney, Australia in 1998. He is a Chartered Accountant under Malaysian Institute of Accountants and is also a Certified Practising Accountant under CPA Australia. He joined Boustead Holdings Berhad in January 2006 as its Corporate Planning Manager. He subsequently advanced to General Manager, Corporate Planning. Prior to joining Boustead, he has held managerial positions in corporate finance and treasury with several public listed companies.

### EFFECTIVE COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

The Company is of the view that the Annual General Meeting (AGM) and other general meetings are important opportunities for meeting shareholders and addressing their concerns. The Company dispatches the notice of AGM to shareholders 21 days before the AGM, which is in compliance with the requirement under the Companies Act, 2016 and MMLR. At the AGM, the Group Managing Director gives a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions. Senior Management of the Group are also present to handle other face-to-face enquires from the shareholders.

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded.

Pursuant to Paragraph 8.29A of the MMLR, poll voting will be implemented at the 55th Annual General Meeting and an independent scrutineer will be appointed for validation of the votes casted.

### COMPLIANCE STATEMENT

This statement on the corporate governance practices is made in compliance with Paragraphs 15.25 and 15.08A of the MMLR and in accordance with a resolution of the Board of Directors dated 1 March 2017.