

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5094  
**COMPANY NAME** : CSC STEEL HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2018

### **OUTLINE:**

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

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

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is entrusted with and is responsible for the Group's overall strategy, growth and direction including its business and financial performance. The Board provides direction and guidance to management and has effective control of the Group. It maintains control of the Group's activities through the matrix of authority filtered down to the various components of the Group and the Group Managing Director ("Group MD"), assisted by the management team, and is responsible for ensuring the Board's effectiveness in conducting its business and in fulfilling its responsibilities to stakeholders.</p> <p>The Group MD oversees to the day-to-day operations and implementation of the Board's corporate and operational policies and strategies.</p> <p>Matters reserved for the Board as disclosed in the Board Charter of the Company, the text of which is found in the Company's website at <a href="http://www.cscmalaysia.com">www.cscmalaysia.com</a>, include approval of the interim and annual results; reviewing the adequacy and integrity of the management information, risk management and internal controls system of the Group; evaluating and approving major capital expenditure including significant acquisitions and disposals and all major corporate transactions; long term planning and direction of the Group among others.</p> <p>Certain responsibilities of the Board are delegated to the Audit Committee ("AC") and Nominating Committee which operates within clearly defined parameters as spelt out in the respective Committees' Terms of Reference, more details could be found in the Company's website at <a href="http://www.cscmalaysia.com">www.cscmalaysia.com</a>.</p>

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

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board does not have a Chairman on the Board.</p> <p>The elected chairman during the Board meetings leads Board meetings discussions and encourages debate on issues and seeks views from the Directors on matters requiring decisions of the Boards;</p> <p>The Group MD is empowered to chair the Annual General Meeting (“AGM”) of CSC Steel Holdings Berhad (“CHB” or “the Company”) and provide responses to shareholders on issues raised by them.</p> <p>Apart from that, the Group MD also make sure that relevant board governance is adhered to and there is reasonable interaction between the Boards and Management as part of the effective decision making process.</p> <p>The Group MD is empowered to assumed the responsibility as chairman on certain matters and to ensure good interactivity between Board members and also fair and smooth voting/decision making process is carry out.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will consider to elect for a Chairman if only they encounter difficulty and/or dispute from the current module.
<b>Timeframe</b>	:	Others

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board does not have a Chairman on the Board since Mr. Lee, Ie-Hsian is appointed as Group MD of the Company on 2 October 2017.</p> <p>The Group MD together with the top management are responsible for implementing policies and decisions of the Board and together, manages the day-to-day operations as well as oversee the overall development and implementation of the Group's business and corporate strategies.</p> <p>During the Board meeting, a Chairman will be appointed to ensure good interactivity between Board members and also fair and smooth voting/decision making process is carry out.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will consider to elect for a Chairman if only they encounter difficulty and/or dispute from the current module.
<b>Timeframe</b>	:	Others

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is a member of the Malaysian Institute of Chartered Secretaries and Administrators and is qualified to act as Company Secretary pursuant to Section 235(2) of Companies Act, 2016.</p> <p>During the financial year 2018, the Company Secretary had facilitated the Board on the following matters:-</p> <ul style="list-style-type: none"><li>• Organised and attended all Board and Board Committee meetings and ensured that meeting procedures were followed and deliberations at such meetings were well minuted;</li><li>• Prepared meeting agenda and documents required for the shareholders' meetings;</li><li>• Released announcements and submitted annual financial statements and annual reports to Bursa Securities on timely manner;</li><li>• Updated the Board on the amendments to the Companies Act 2016, Listing Requirements and guidelines, and brought to the attention of the Board all circulars from Bursa Securities;</li><li>• Highlighted the Board all compliance and governance issues and advised the Board on achieving highest standard of corporate governance in accordance to the recommendations in Malaysia Code Corporate Governance; and</li><li>• Recommended available training programme for the Directors to attend.</li></ul> <p>The Company Secretary constantly keeps herself abreast of the regulatory changes and developments in governance through the updates from Bursa Securities and MAICSA.</p>
<b>Explanation for departure</b>	:	

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

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

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For financial year 2018, a total of five (5) scheduled Board meetings, five (5) scheduled Audit Committee meetings and one (1) Nominating Committee meeting were held during the year.</p> <p>Each meeting is conducted in accordance with a structured formal agenda prepared by the Company Secretary in consultation with the management. The notice and agenda for each meeting is transmitted to each Board member at least seven (7) days in advance of the meeting followed by the soft copies of the relevant Board Papers, containing information pertinent to the matters to be deliberated at the forthcoming meeting and any other information the Directors may additionally require on the agenda items, to reach the Directors before the scheduled meeting</p> <p>Besides the Company Secretary, Heads of the Finance Division, Production Division, Commercial Division and Corporate Planning Department of the Company attends each Board meeting, as well as every Audit Committee meeting, on the standing invitation of the Board during the financial year ended 31 December 2018. Other senior staff may be invited to attend certain meetings if so required.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board Charter was adopted by the Board on early 2014 and a copy of which is available on the Company's website at <a href="http://www.cscmalaysia.com">www.cscmalaysia.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Code of Conduct and Ethics is available on Board Charter and a copy of Board Charter published at Company’s website at <a href="http://www.cscmalaysia.com">www.cscmalaysia.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Group does not have a formal whistleblower policy per se. However, avenues for staff and stakeholders to provide feedback or to report on any misconduct by the Company and its subsidiaries are available.
		For staff, a box has been placed at a private area and the list of email addresses of key management staff made available to provide anonymous feedback or reports.
		For stakeholders, the key avenue for making any reports on the Group is to the email addresses of key contact persons listed under "Whistleblower Hot Lines".
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	As the Board and the management find the current module is well-working and sufficient and will review it from time to time to ensure the effectiveness.
<b>Timeframe</b>	:	Others

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
	:	<p>The Board of CHB, comprises seven (7) Directors i.e. two (2) Executive Directors, two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.</p> <p>Both Independent Non-Executive Directors satisfied the independence test under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR of Bursa Securities”).</p> <p>The Board take cognisance that the current composition of the Board is not align with the desired practice of at least half to comprise of independent directors.</p> <p>Currently the Non-Independent Non-Executive Directors of CHB are classified into two (2) groups:-</p> <ul style="list-style-type: none"><li>• Mr. Kuo, Yi-Jen and Mr. Hwang, Chien-Chih are standing as board representatives of major shareholder of China Steel Corporation of Taiwan (“CSC”), its major and biggest shareholders of the Company. Brig. Gen (R) Dato’ Mohd Zaaba @ Nik Zaaba bin Nik Daud do not have any direct or indirect interest in CHB and do not hold interest nor any directorships in the subsidiaries of CHB.</li></ul> <p>Although Brig. Gen (R) Dato’ Mohd Zaaba @ Nik Zaaba bin Nik Daud is Non-Independent Non-Executive Director, he is keen to express his opinions constructively during board meetings and help to reinforce the check and balance of Boards’ decision making process.</p> <p>The lack of majority independent directors in the current Boards composition does not jeopardise independent Boards’ deliberations and all decisions are made in the best interests of company.</p>

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

<b>Measure</b>	:	As the Board find the current composition does not affect the function and effectiveness of the Board as a whole, the adoption of desired practice will only be considered if there is difficulty/dispute/imbalance occur.	
<b>Timeframe</b>	:	Others	

**Intended Outcome**

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

**Practice 4.2**

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

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

<b>Application</b>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has adopted 9 years and after 12<sup>th</sup> year policy for independent Non-Executive Directors and taking into account the need for progressive refreshing of the Board.</p> <p>Currently, the Company did not have independent directors whom serve more than 9 years.</p>

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of gender diversity in Board and it had appointed Ms. Lim Lay Ching, a legal practitioner, as its Independent Director to the Board in March 2015.</p> <p>However, the Board has yet to adopt any formal gender diversity policy in the selection of new Board members/new Senior Management and also does not have specific policy on setting targets for female candidates. The Board evaluates a candidate of new Board member/new Senior Management by considering various factors including skill and expertise, personal qualities, age, educational qualification and capability to discharge duly effectively.</p> <p>The Group will continue to identify suitable candidates for appointment to the Board as and when vacancies arise.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of gender diversity in Board.</p> <p>However, the Board has yet to adopt any formal gender diversity policy in the selection of new Board members/new Senior Management and also does not have specific policy on setting targets for female candidates. The Board evaluates a candidate of new Board member/new Senior Management by considering various factors including skill and expertise, personal qualities, age, educational qualification and capability to discharge duly effectively.</p> <p>The Group will continue to identify suitable candidates for appointment to the Board as and when vacancies arise.</p>
<b>Explanation for departure</b>	:	<p>Currently, there is one female Director on the Board which accounts for 14.28% combination. The Board acknowledges the importance of gender diversity in the Board. However, the selection and appointment of a new Board member is mainly subjected to appropriate due diligence on the mix of skills as well as the necessary diversities.</p> <p>The Board will take note of this gender diversity compliance and will do it best to meet with the nation's target.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board acknowledges the importance of gender diversity in the Board and will do it best to raise the female Board member percentage provided that the female candidate is fit for the Board vacant position by considering her skill and expertise, personal qualities, age, educational qualification and capability to discharge her duty effectively.
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The proposed appointment of a new member to the Board will be deliberated on by the full Board based upon the recommendation of the Nominating Committee and from its major and biggest shareholder, CSC.</p> <p>Before any recommendation is made to the Board, the Nominating Committee will evaluate a candidate by considering the following:-</p> <ul style="list-style-type: none"><li>• skills, knowledge, expertise and experience;</li><li>• character, integrity, professionalism;</li><li>• competence and time to effectively discharge his role; and</li><li>• in the case of candidates for the position of independent non-executive directors, the Committee should also evaluate the candidates' ability and commitment to discharge such responsibilities/functions as expected from independent non-executive directors.</li></ul> <p>During the financial year ended 31 December 2018, Mr. Kuo, Yi-Jen, Mr. Hwang, Chien-Chih and Mr. Chen, Chien-Tu were appointed to the Board of the Company as Directors to replace the resigned Directors, Mr. Lee, Shin-Min @ Samuel Lee, Mr. Lin, Yao-Kang @ Robert Lin and Mr. Tan Chin Teng.</p>
<b>Explanation for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee is chaired by Mr. Phong Hon Wai, a Senior Independent Director of the Company.</p> <p>During the year, Mr. Phong Hon Wai had led the annual review of Board effectiveness for financial year 2018, in order that independent assessment of the performance of each individual Director as well as of the Board as a whole are carried out amongst all the Board Members.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 5.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee assesses the effectiveness of the Board as a whole and the contribution of each Board Committee as well as each individual director on an annual basis and to ensure that the Board and its respective Board Committees has the appropriate balance of expertise and ability</p> <p>The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of the Company. Annual review is conducted to assess the required mix of skills, experience and other qualities including core competencies which the executive and non-executive directors of the Company should bring to the Board, identify areas for improvement and review the succession plan for senior management in the Group.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has not set up a Remuneration Committee, and the remuneration packages of the Executive Directors of the Company generally follow the Executive Compensation Package of the Group and to a certain extent, is dictated by market competitiveness and is tailored to retain and motivate the talents needed by the Group to effectively manage and operate the business of the Company.</p> <p>As for the Non-Executive Directors, Mr. Kuo, Yi-Jen and Mr. Hwang, Chien-Chih who are standing as board representatives of major shareholder, CSC, have been compensated by CSC and did not received any remuneration from the Company.</p> <p>Meanwhile, the Non-Executive Directors, Mr. Phong Hon Wai, Ms. Lim Lay Ching and Brig. Gen (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud have received the directors' fee determined by the Company followed by the shareholders' approval during AGM.</p> <p>The Corporate Planning Department of the Company which deals with Board matters, will from time to time, review and propose to the Board for approval on the adjustment of directors' fee for Non-Executive Directors, Mr. Phong Hon Wai, Ms. Lim Lay Ching and Brig. Gen (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud.</p>

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

<b>Measure</b>	:	As the Company having a non-complex composition of Board and having no dispute from the current practice, the Board will deliberate for setting up a remuneration committee if the need arises.	
<b>Timeframe</b>	:	Others	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has not set up a Remuneration Committee, and the remuneration packages of the Executive Directors of the Company generally follow the Executive Compensation Package of the Group and to a certain extent, is dictated by market competitiveness and is tailored to retain and motivate the talents needed by the Group to effectively manage and operate the business of the Company.</p> <p>As for the Non-Executive Directors, Mr. Kuo, Yi-Jen and Mr. Hwang, Chien-Chih who are standing as board representatives of major shareholder, CSC have been compensated by CSC and did not received any remuneration from the Company.</p> <p>Meanwhile, the Non-Executive Directors, Mr. Phong Hon Wai, Ms. Lim Lay Ching and Brig. Gen (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud have received the directors' fee determined by the Company followed by the shareholders' approval during AGM.</p> <p>The Corporate Planning Department of the Company which deals with Board matters, will from time to time, review and propose to the Board for approval the adjustment of directors' fee for Non-Executive Directors, Mr. Phong Hon Wai, Ms. Lim Lay Ching and Brig. Gen (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud.</p>

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

<b>Measure</b>	:	As the Company having a non-complex composition of Board and having no dispute from the current practice, the Board will deliberate for setting up a remuneration committee if the need arises.	
<b>Timeframe</b>	:	Others	



### Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Executive and Non-Executive Directors' Remuneration had been presented in group with categories and bands in order to retain the privacy of Directors.	
		As the remuneration packages of the Executive Directors of the Company generally follow the Executive Compensation Package of the Group while the directors' fee for Non-Executive where determined by the Company followed by the shareholders' approval during AGM. The remuneration is deemed fair and reasonable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	As there being no dispute from the fair and reasonable remuneration granted to Executive and Non-Executive so far, the Company tends to maintain the current practice.	
<b>Timeframe</b>	:	Others	

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Not applicable - Step Up 7.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board had decided not to disclose the details of senior management's remuneration packages. The Board considers the information of the remuneration of senior management to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's effort in retaining executive talents.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	As there being no dispute from the fair and reasonable remuneration granted to the top senior management so far, the Company tends to remain the current practice.	
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The senior management's remuneration packages generally follow the Executive Compensation Package of the Group. In order to retain the privacy of the senior management, no disclosure was made.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>AC comprises of two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director.</p> <p>The AC Chairman, Mr. Phong Hon Wai, is a member of the Malaysian Institute of Accountants and he is not the Chairman of the Board.</p> <p>This practice meets with the MMLR of Bursa Securities whereby all the AC Chairman and members are non-executive directors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	CHB has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two years. Hence there is no such person being appointed as a AC member of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>AC meets with representatives of Messrs. Deloitte PLT, the external auditors of the Company, for a private discussion without the presence of executive board members and employees of the Company at least twice during each financial year.</p> <p>AC also undertook the annual assessment of the suitability and independence of the external auditors by considering the factors mentioned below to arrive at its recommendation on the re-appointment of Deloitte PLT as the Group's auditors for the ensuing financial year.</p> <p>Factors considered in its decision to recommend the re-appointment of Deloitte PLT as external auditors of the Group included adequacy of Deloitte PLT's experience and resources to effectively carry out the audit on the Group, the level of professionalism of its staff assigned to the Group, assurance of the audit independence and objectivity of Deloitte PLT and the level of non-audit services rendered by Deloitte PLT to the Group during the financial year ended 31 December 2018; all of which Deloitte fared satisfactorily.</p> <p>The Board had on 2 April 2019 accepted the recommendation from AC and approved the proposal to the shareholders at the 15th AGM for the re-appointment as external auditors of the Company to audit the Group for the financial year ending 31 December 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	Currently the composition of AC comprised of all non-executive directors to whom majority are independent.



### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Each AC member of the Company is encouraged to regularly undergo suitable training programmes to keep themselves abreast of the latest changes and to update their knowledge and each of them is aware of the need to continuously undergo training appropriate to their needs in line with Paragraph 15.08(3) of MMLR of Bursa Securities.  Trainings attended by AC members, Mr. Phong Hon Wai, Ms. Lim Lay Ching and Brig. Gen (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud during 2018 could be found in the Annual Report from page X to X.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has delegated the review of adequacy and effectiveness of the internal control system to AC.</p> <p>Through AC, the Board is kept informed of all significant control issues brought to the attention of the Audit Committee by the Management, the internal audit function and also the external auditors.</p> <p>The Board is working closely with AC in reviewing and improving the internal controls as well as addressing the potential risks of the Group from time to time.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The duties for identification, evaluation and management of the key business risk are delegated by the Board to the Senior Management and the Group MD.</p> <p>On the strategic level, strategic business strategies are formulated by the Group MD and the Senior Management, and presented to the Board for review to ensure proposed strategies are in line with the Group’s risk appetite with the update of the implementation progress of the strategies approved being presented by the Senior Management to the Board.</p> <p>The respective Head of Departments are responsible for managing and identifying the risk of their department. Changes in the business risks faced by the Group or emergence of new key business risks and the corresponding internal controls are discussed during management meeting that was held every week and reported to the Board, if material and applicable.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	There is no Risk Management Committee being established but the Group MD and the Senior Management team hold meeting weekly to discuss changes in the business risks faced by the Group or emergence of any new risks.

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function ("IA") of the Group is currently outsourced to a professional service firm, namely NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"). The Director of IA is reporting to Audit Committee directly.</p> <p>AC reviews the adequacy of the internal audit scope and competency, experience and resources of the IA in November 2018 to ensure that the responsibilities of IA are fully discharged.</p> <p>The internal audit engagement of Needsbridge is governed by their engagement letter with key terms which include the purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to NeedsBridge, limitation of scope of works, confidentiality, proposed fees and engagement team.</p> <p>Further details of the internal audit activities are set out in the Audit Committee Report and Statement on Risk Management and Internal Control of the CHB's 2018 Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's internal audit function has been outsourced to a professional service firm, namely NeedsBridge Advisory Sdn. Bhd. ("Needsbridge"), who report to the Audit Committee directly.	
		The IA function consists of 9 personnel which including director, manager and consultant. The engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia.	
		Two (2) internal audits followed by two (2) follow-up will be carried out by NeedsBridge in a year, in material aspects, in accordance with the International Professional Practices Framework established by the Institute Auditors Global.	
None of the internal audit personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.			
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is committed to maintain a good communication with its shareholders and stakeholders alike. In this respect, information on the Group's financial performance and/or major developments are disseminated to the public as soon as practicable via appropriate channels of communication, chief of which is the Bursa LINK provided by Bursa Securities as well as the Company's website at <a href="http://www.cscmalaysia.com">www.cscmalaysia.com</a>.</p> <p>To facilitate the stakeholders' understanding of the Company with respect to the business of the Company and its policies on governance, the Company has placed various documents pertaining to the organisation, Board and Key Management, its board charters, term of reference of the Board and Board Committees as well as other corporate information on its website to the public.</p> <p>The quarterly financial results are announced through Bursa LINK on the next working day after obtaining the Board's approval.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a large company under the definition of Malaysian Code on Corporate Governance 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is complying with Paragraph 7.15 of MMLR of Bursa Securities and Article 79 of the Articles of Association of the Company with at least 21 days' notice for AGM.	
		The present practice of 21 days' notice is adequate and reasonable and all shareholders of the Company will receive the annual report on time.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Save for the Taiwanese Directors, Mr. Lee, Shin-Min @ Samuel Lee and Mr. Lin, Yao Kang @ Robert Lin, who was unable to attend the 14th AGM held in Malaysia, all Directors, including members of Audit Committee and Nominating Committee, were presented at the 14th AGM to respond to the shareholders' queries.	
		The Group MD together with other Board members and relevant key management staff will personally present at each AGM of the Company to engage directly with the shareholders and to account for their stewardship of the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AGMs of CHB are always held at the Company's Office Block at Ayer Keroh, Melaka. This venue is easily accessible as it is familiar to most shareholders of the Company.</p> <p>CHB has about 7,480 holders holding its Securities as at 29 March 2019, and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>In accordance with Paragraph 8.29A of the MMLR of Bursa Securities, all resolutions set out in the Notice of 14th AGM were put to vote by poll. The results of votes were validated and results were presented to the shareholders at the said AGM. The same practice will be remaining for 15th AGM.</p> <p>CHB had appointed Tricor Investor &amp; Issuing House Services Sdn. Bhd. ("Tricor") as Poll Administrator to conduct the polling process, and Asia Securities Sdn. Bhd. as Scrutineers to verify the poll results.</p> <p>The Scrutineers, Asia Securities Sdn. Bhd., upon verification of the poll results, announced the results for each resolution, which include votes in favour and against, upon which the Chairman of the Meeting declared whether the resolutions were carried. The poll results were also announced by Bursa Malaysia via Bursa LINK on the same day for the benefit of all shareholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.*

Not Applicable
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