

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3662
COMPANY NAME : MALAYAN FLOUR MILLS 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors of the Company is responsible for the oversight and overall management of the Group by providing guidance and direction to the management with regards to the sustainability, strategic planning, risk management, succession planning, financial and operations to meet the expectations and obligations to the shareholders and various stakeholders.</p> <p>Amongst the key responsibilities of the Board are as follows:</p> <ul style="list-style-type: none">• Review and approve short and medium terms strategic plans• Monitor the progress of the Group's business to evaluate whether the businesses are properly managed to achieve its targeted returns and sustainability• Establish goals for management and monitor the achievement of these goals• Identify principal business risks faced by the Group and ensure the implementation of appropriate internal controls and mitigating measures to address the risks• Review the adequacy of the internal control systems• Review succession and human resource plans• Consider management's recommendations on key issues including investments, acquisitions, funding and significant capital expenditure

	<p>The Board delegates the day-to-day management of the Group to the Managing Director who further cascades the delegation to the management team. Both the Managing Director and management team remain accountable to the Board for the authority delegated to them and brief the Board on the operational progress and financial results on a quarterly basis.</p> <p>As for the succession planning, the Board is responsible in reviewing candidates for the appointment of Director and key management positions. The Managing Director updates the Board annually and from time to time on the details of the programmes for management development such as coaching, leadership and technical training. The Board also reviews the remuneration of the Directors and key Senior Management to ensure that their remuneration packages are sufficiently attractive to attract and retain the talents.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	: Applied
Explanation on application of the practice	<p>Tan Sri Dato' Seri Utama Arshad bin Ayub, who is a Non-Independent Non-Executive Director, is the Chairman of the Company. He is responsible for leading and ensuring the Board effectiveness and compliance with corporate governance. He acts as a facilitator at Board meetings and general meetings to ensure that the meetings are carried out smoothly according to their agenda.</p> <p>The roles and responsibilities of the Chairman are as follows:-</p> <ul style="list-style-type: none">• The Chairman is responsible for representing the Board to the shareholders and indirectly to the general public for performance.• The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board.• The Chairman must ensure that the content and order of the agenda are appropriate and that the members of the Board have the relevant papers in good time. The Chairman must also ensure that the Board members are properly briefed on issues arising at Board meetings and that all available information on an issue is tabled before the Board.• The Chairman is responsible for maintaining regular dialogue with the Managing Director over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him cause for major concern.• The Chairman will act as a facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.

	<ul style="list-style-type: none"> Between Board meetings the Chairman shall maintain an informal link between the Board and the Managing Director, expect to be kept informed by the Managing Director on all important matters, and is available to the Managing Director to provide counsel and advice where appropriate. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Charter provides clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p> <p>Tan Sri Dato' Seri Utama Arshad bin Ayub, who is a Non-Independent Non-Executive Director, is the Chairman of the Company.</p> <p>Mr Teh Wee Chye is the Managing Director of the Company and leads the day-to-day management of the Group.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary of the Company, Ms Mah Wai Mun, is a qualified Chartered Secretary (“ICSA”) and an Associate of The Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”). She is also the Secretary for all the Board Committees.</p> <p>The Directors have unrestricted access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meeting procedures are adhered to and that applicable laws, rules and regulations are complied with. The Board is updated and advised by the Company Secretary from time to time on new statutes and directives issued by the regulatory authorities.</p> <p>The Company Secretary attends all the Board and Board Committees meetings as well as the General Meetings and ensures accurate records of the proceedings and decisions of the meetings are made and properly kept.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>For the Board to deliberate effectively on agenda of the meetings, relevant meeting papers are furnished to the Directors at least 4 days in advance of each meeting or a shorter time for emergency meeting. This allows the Directors sufficient time to peruse the papers and have productive discussion and make informed decision at the meeting.</p> <p>All deliberations and decisions made by the Board are properly recorded by the Company Secretary by way of minutes of the meeting. The minutes would be distributed to the Directors for review before confirmation at next meeting. The signed minutes are kept in the minutes book by the Company Secretary.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and functions of the Board, Board Committees and Managing Director are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.</p> <p>The Board Charter sets out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected from them.</p> <p>The Board Charter was last reviewed in 2017 to reflect the changes in the composition of the Board, Listing Requirements and Companies Act 2016.</p> <p>The Board Charter is available on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	: Applied
Explanation on application of the practice	<p>The Company's Code of Conduct ("Code") is in force across the Group and all employees must comply with it. Disciplinary action may be taken against employees who are found guilty for non-compliance with the Code.</p> <p>The Code sets out the ethical standards of conduct that all employees are expected to comply with in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment.</p> <p>Every employee must display and behave in a manner which is consistent with the Group's philosophy and core values. The following Code of Conduct must be adhered to at all times by all employees within the Group:</p> <ul style="list-style-type: none">a. Demonstrating commitmentb. Living the core values of the Groupc. Avoiding conflict of interestd. Preventing bribery and corruptione. Practising confidentiality and data protectionf. Communicating externally and internally with ethics and within authorityg. Protecting company assets and resourcesh. Giving equal opportunity, non-discrimination and fair employmenti. Ensuring safety and protecting the environmentj. Prohibiting insider trading <p>The Code is subject to change and review as and when it is deemed necessary by the Company.</p>

	<p>As personal commitment to the Code, each employee of the Group was required to make a declaration that he/she had been furnished a copy of the Code, had read and understood the Code, accepted to comply with the Code and understood that any breach of the Code may result in disciplinary action being taken against him/her.</p> <p>The Code is available on the Company's website.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a Whistle Blowing Policy in place. The objectives of the Standard Operating Procedures & Policy (“SOPP”) on Whistle Blowing Policy are as follows:</p> <ul style="list-style-type: none">a. To instill the highest level of corporate governance in the Group;b. To encourage and enable all employees to raise genuine concerns within the Group rather than overlooking a problem. Employees are reminded to conduct the business at the highest ethical and legal standards; andc. To set a procedure for all employees to give information on non-compliances to the Code of Conduct, regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions. <p>A Whistle Blowing Policy for external parties is published on the Company’s website.</p> <p>All employees or any person who has dealings with the Group may report any suspected fraud, misconduct or any integrity concerns to Datuk Oh Chong Peng, Senior Independent Non-Executive Director of the Company, via the email address at whistleblowing@mflour.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently there are 9 Directors on the Board comprising 3 Executive Directors and 6 Non-Executive Directors of whom 4 are Independent Directors.	
	:	The departure from the recommended practice is due to the demise of an Independent Director on 16 October 2018. The Nomination Committee of the Company has agreed that a new Independent Director be appointed and is working towards identifying suitable nominee to be recommended to the Board for appointment before the next annual general meeting in 2020.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has recommended that the Independent Directors namely Datuk Oh Chong Peng and Dato' Wira Zainal Abidin bin Mahamad Zain who have served the Board for 10 years and 9 years respectively, to continue to serve on the Board as independent directors.</p> <p>The Board Charter provides that there shall be no fixed term of office for an Independent Director as the Board believes that continued contribution by long serving Directors provides more benefit to the Company and the Group as a whole. Their considerable knowledge of the Company's culture and businesses would facilitate them to discharge their duties and role as Independent Directors more effectively. However, each Independent Director shall be subject to the Independent Director's Self-Assessment for Annual Declaration of Independence and the annual Individual Director Self/Peer Evaluation to ensure that each of them continues to fulfill the definition of independence as set out in Bursa Malaysia Securities Berhad Listing Requirements.</p> <p>Based on both the results of the Independent Director's Self-Assessment for Annual Declaration of Independence and annual Individual Director Self/Peer Evaluation, the Nomination Committee and the Board were satisfied that all the Independent Non-Executive Directors of the Company had continued to be independent-minded and demonstrate conduct and behaviour that are essential indicators of independence.</p>

	<p>The Nomination Committee and Board also concluded that the length of service of all the Independent Directors on the Board do not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Group and they had continued to possess the following qualities:</p> <ul style="list-style-type: none"> • They are respectable personalities in society. Hence, their contributions, views and insights are always taken seriously and respected by the management; • They have the ability to analyse issues, challenge viewpoints of the management with intelligent questioning and debate rigorously in the decision-making process; and • They remain capable of exercising unbiased, objective and independent view, advice and judgement in the decision-making process. 	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	<p>Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p>Timeframe</p>	<p>:</p>	<p>Choose an item.</p>

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The selection criteria for appointment of Director and Senior Management are mainly based on merit, calibre, skill and experience and with due regard for diversity in gender, ethnicity and age in order to maximise the effectiveness of the Board and have the best available talent.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board, which comprises diverse ethnicity and age, had also achieved the gender diversity with the appointment of a woman director to the Board on 25 May 2017.
	:	The Board is of the opinion that the selection criteria for appointment of Director should be mainly based on merit, calibre, skill and experience and with due regard for diversity in gender, ethnicity and age in order to maximise the effectiveness of the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The candidates identified by the Nomination Committee for appointment of directors were based on recommendations from existing Board members and promotion of Senior Management in ensuring the suitability and contribution of the candidates as Board members of the Company and maximise the effectiveness of the Board.</p> <p>From time to time, the Board also utilises independent sources to identify suitably qualified candidates.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Dato' Wira Zainal Abidin bin Mahamad Zain who is an Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee had conducted the annual Performance Evaluation of the Board, Board Committees and Individual Director for year 2018 via questionnaires which were completed by each Director on a confidential basis. The questionnaires comprised of a Board and Board Committees Performance Evaluation, an Individual Director Self/Peer Evaluation and an Independent Director's Self-Assessment for Annual Declaration of Independence. The effectiveness of the Board was assessed in the areas of composition, operations, roles and responsibilities and performance of the Chairman.</p> <p>In the evaluation of each Board Committee, its effectiveness was assessed in terms of its composition, level of assistance to the Board, fulfilment of the roles by each member of the Committee and effectiveness of its Chairman.</p> <p>Meanwhile, the individual Director was assessed on his contribution to interaction, quality of input and understanding of his role.</p> <p>Results of the assessments and areas which required improvement were compiled and reviewed by the Nomination Committee. For the overall results of the assessments, the Board and Board Committees have achieved the strong ratings.</p> <p>Having been satisfied with the results of the assessments, the Nomination Committee had recommended to the Board that:</p> <ul style="list-style-type: none">• The Board and Board Committees had been able to discharge their duties and responsibilities professionally and effectively;• Each of the Directors continued to perform, contribute and devote sufficient time in fulfilling his role and responsibility towards an effective Board;

	<ul style="list-style-type: none"> • All the Independent Directors complied with the definition of Independent Director as defined in the Bursa Malaysia Securities Berhad Listing Requirements; and • All the Independent Directors had remained objective and independent in expressing their views and in exercising their decision-making irrespective of their length of service.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has policies and procedures in place to determine the remuneration of the Directors and Senior Management.</p> <p>Their remuneration packages are periodically reviewed to keep abreast with the changes in the market and industry as well as to motivate and retain the talents to pursue the long term goals of the Group.</p> <p>The policy to determine the remuneration of Directors is provided in the Board Charter which is available on the Company’s website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has a Remuneration Committee to implement its policies and procedures on remuneration of the Directors and Senior Management. The Terms of Reference of the Remuneration Committee is available on the Company’s website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual Directors is in the Corporate Governance Overview Statement which is disclosed in the Company's Annual Report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	This is in line with the management policy and practice of ensuring the confidentiality of the remuneration of all employees (except the executive directors) and the Company is of the opinion that this information will not be significant in the evaluation of the Company's governance.
		The Company discloses the detailed remuneration of the 3 Executive Directors of the Company who are the top 3 Senior Management of the Group.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit & Risk Management Committee is Datuk Oh Chong Peng who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit & Risk Management Committee has this policy which is stated in its Terms of Reference.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit & Risk Management Committee has policy and procedures to assess the suitability, objectivity and independence of the external auditors.</p> <p>Besides the written assurance from the external auditors on their independence, input from the Company personnel, who had substantial contact with the external auditors throughout the year, on the quality of service provided, independence, objectivity and professional skepticism of the external auditors via questionnaires was obtained for the Committee’s annual evaluation of the external auditors.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	The members of the Audit & Risk Management Committee possess the necessary skills to discharge their duties and all of them have relevant accounting or related experience. Their qualification and experience are disclosed in the Directors' Profile in the Annual Report. They have also undertaken continuous professional development by attending trainings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Group has in place a formal risk management process and a sound system of internal control to identify, evaluate and manage significant risks faced by the Group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The disclosure is made in the Statement on Risk Management and Internal Control which is in the Annual Report. Attestation has been made by the Board with regard to the adequacy and effectiveness of the framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit & Risk Management Committee comprises majority of independent directors whereby 3 out of 4 of its members are independent directors.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has an in-house Group Internal Audit and Risk Management Department (“IARM”) which undertakes internal audit functions based on the risk-based audit plans that were reviewed and approved by the Audit & Risk Management Committee.</p> <p>The purpose, authority and responsibility of the IARM as well as the nature of the assurance and consultancy activities provided by the function are articulated in the Internal Audit Charter.</p> <p>The IARM reports directly to the Audit & Risk Management Committee who reviews and approves the IARM’s annual audit plan, financial budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The resources of the in-house Group Internal Audit and Risk Management Department (“IARM”) are reviewed periodically by the Audit & Risk Management Committee to ensure adequacy. Currently, there are 4 internal auditors with relevant qualifications and experience in the IARM.</p> <p>Mr Alex Yap Kien Tiong is the General Manager of the IARM. He holds a Bachelor of Economics from La Trobe University, Australia and is a Fellow of CPA Australia. He is also a member of Malaysian Institute of Accountants (“MIA”).</p> <p>The purpose, authority and responsibility of the IARM as well as the nature of the assurance and consultancy activities provided by the function are articulated in the Internal Audit Charter. During the year, the internal audit function was carried out based on the risk-based audit plans that were reviewed and approved by the Audit & Risk Management Committee.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board ensures the timely release of quarterly financial results, the issuance of the Company's Annual Report and Circular/Statement to Shareholders together with the announcements to Bursa Malaysia Securities Berhad on material information and corporate proposals to its investors, stakeholders and the public generally.</p> <p>All shareholders are encouraged to attend the Company's Annual General Meeting ("AGM") and to participate in the proceedings. All the Directors are present at the AGM to engage with the shareholders and answer to their queries. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group.</p> <p>From time to time, the designated Senior Management also has dialogues with fund managers and research analysts on the strategies, performance and prospects of the Group.</p> <p>In addition, information was also provided to shareholders and/or investors in the replies to their enquiries via the email address at ir@mflour.com.my.</p> <p>The Company's website at www.mfm.com.my also provides quick access to information on the Group and an avenue for dissemination of corporate and financial disclosures.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a large company.	
		The Company is not a large company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company is giving at least 28 days' notice to the shareholders on its Annual General Meeting ("AGM") to provide them sufficient time to prepare, participate and make informed voting decision at the AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors including those who are also Chairmen of the Audit & Risk Management, Nomination and Remuneration Committees and Chief Financial Officer attend the Company's General Meetings to provide response to questions addressed to them by the shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has adopted electronic voting for the conduct of poll ("e-Polling") on all the resolutions proposed at its General Meetings since 2017. The electronic voting provides more accurate and transparent voting results as well as shorter turnaround time for declaration of results.</p> <p>However, to facilitate voting in absentia and remote participation by shareholders, advanced technology and reliable system will be required to be deployed. As such, the Company needs to consider the availability of such technology and system including its costs and reliability before adopting Practice 12.3.</p>
		<p>In order to encourage the shareholders' participation and for the convenience of the shareholders, the Company's General Meetings have always been held in the city centre which is easily accessible by public transport.</p> <p>For those shareholders who are unable to attend the General Meetings, they are allowed to appoint proxy(ies) to exercise their votes.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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.

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