

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7210  
**COMPANY NAME** : Freight Management Holdings Bhd  
**FINANCIAL YEAR** : June 30, 2018

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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 has overall responsibility for the proper conduct of the Company's business in achieving the objectives and long-term goals of the Company. The Board is guided by the prevailing legal and regulatory requirements as well as the Company's policies in discharging its fiduciary duties and responsibilities. Each of the Directors is aware of the obligation to exercise unfettered judgement, in good faith with due care and skill.</p> <p>During the financial year 2018, the Board deliberated on the strategies for the Group together with its proposed business plans. The Executive Directors ("EDs") are also members of the Board of various subsidiaries as to ensure the Group's strategies aligned. The EDs monitor the Company's performance and progress in moving towards achieving the Group's strategic objectives by conducting monthly review of the Group's financial performance and quarterly review of business plan and budget. The Board was also kept informed of the significant operational highlights, issues and performance of the Group on a quarterly basis through reports from the EDs to ensure they are kept updated with the latest development of the Group.</p> <p>In addition to strategic matters, the Board of the Company is amongst others, also responsible for the following key matters:-</p> <ul style="list-style-type: none"><li>(i) Promoting good corporate governance and an ethical culture across all levels of the Group;</li><li>(ii) Reviewing and approving annual and quarterly results;</li><li>(iii) Overseeing the conduct of business and financial operations;</li><li>(iv) Overseeing succession planning for the Board and key senior management personnel;</li><li>(v) Identifying principal risk and ensuring the implementation of appropriate internal controls and mitigation measures; and</li><li>(vi) Promoting and maintaining effective and timely communication stakeholders.</li></ul>

	<p>In discharging its responsibilities, the Board has delegated specific responsibilities to the respective Board Committees to perform certain of its functions and to provide recommendations and advices to the Board but retains the ultimate responsibility for final decision on all matters lies with the Board :-</p> <ul style="list-style-type: none"> <li>▪ Nomination Committee;</li> <li>▪ Remuneration Committee; and</li> <li>▪ Audit Committee (which is also overseeing the internal control and risk management of the Company).</li> </ul> <p>The Board Committees' roles and responsibilities in discharging its functions are set out in the Terms of Reference of each Committee.</p> <p>The Board sets the Company's values and standards with ethical leaderships and effective corporate governance that defined by the culture of honesty, integrity and transparency. The Board believes that sound corporate practices are fundamental to the Company's effective operation and its ability to attract investment and enhance shareholders' value.</p>	
<p><b>Explanation for departure</b></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><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## 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>	: Applied
<b>Explanation on application of the practice</b>	<p>The Chairman of the Board, Datuk Dr. Hj. Noordin Bin Hj. Ab. Razak is responsible for the performance and conduct of the Board. The Board, under the leadership of the Chairman, works effectively and performs responsibilities with all key and appropriate issues discussed in a timely manner. All Directors are encouraged to share their views on the Company's affairs and issues and they are entitled to have access to the senior management who will respond to queries raised by the Directors.</p> <p>The key responsibilities of the Chairman are set out below :-</p> <ul style="list-style-type: none"><li>• The Chairman is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership for the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner.</li><li>• The Chairman is to lead the Board in its collective oversight of the Management, facilitating effective contribution, discussion and participation by all Directors and allowing dissenting views to be freely expressed as well as to ensure that sufficient time is allocated to discuss all relevant issues at Board meetings.</li><li>• The Chairman ensures all Directors receive accurate, timely and clear information and ensures issues discussed in the meetings are forward looking and focused on strategy.</li><li>• The Chairman is to lead the Board in setting values and standards of the Group to establish and monitor good corporate governance practices within the Group.</li><li>• The Chairman ensures regular and effective evaluation of the Board's performance and is acting on the results of Board performance evaluation by recognising the strength and addressing the weaknesses of the Board.</li><li>• The Chairman is responsible to lead the Board in its succession planning program for the Board and senior management level.</li></ul>

<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 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman of the Board and Group Managing Director ("Group MD") are held by two (2) different individuals. The Chairman, Datuk Dr. Hj. Noordin Bin Hj. Ab. Razak, leads the Board in its collective oversight of the Management and ensures effective operation of the Board whereas the Group MD, Mr Chew Chong Keat ensures effective implementation of the Board's policies, achieves strategic plans and performance targets, exercises high level of business judgement and manages the relationships with stakeholders and the interface with the public. This allows for effective oversight of the management as well as to support objective and independent deliberation, review and decision making.</p> <p>The Chairman of the Board namely, Datuk Dr. Hj. Noordin Bin Hj. Ab. Razak is an Independent Non-Executive Director. The Chairman was appointed on 22 July 2004; he is also the Chairman of Remuneration Committee.</p> <p>The Group GM of the Company is Mr Chew Chong Keat. Mr Chew joined the Board on 20 March 1996. He is one of the co-founders of the Group and serves on the Board of all subsidiaries and associated companies of the Group. He is principally responsible for managing the Group's business and corporate affairs. With more than 30 years of experience in the provision of freight and logistics services, he is also a key person in setting directions for the Group's business strategies.</p> <p>The respective roles and responsibilities of the Chairman and the Group MD are clearly articulated in the Board Charter.</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 1.4

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 Board is supported by two (2) suitably qualified Company Secretaries namely, Ms Lim Hooi Mooi and Ms Wong Wai Foong.</p> <p>Both Company Secretaries are qualified Chartered Secretaries under Section 235(2) (a) of the Companies Act 2016 and are Fellow and Associate members of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretaries play an advisory role to the Board, particularly on the Company's Constitution, Board policies and procedures and its compliance with regulatory requirements as well as corporate governance best practices as to enhance the effective functioning of the Board and to ensure regulatory compliance.</p> <p>The Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are professionally qualified, experienced and knowledgeable on matters relating to statutory and regulatory requirements and corporate governance authorities. The details of other responsibilities of the Company Secretaries are disclosed in the Board Charter.</p> <p>The Company Secretary organises and attends all Board and Board Committee meetings and is responsible to ensure that meetings are properly convened and accurate and proper records of the proceedings and resolutions passed are taken and maintained at the Registered Office of the company.</p> <p>As Fellow and Associate members of MAICSA, the Company Secretaries are required to attend at least 20 hours each of Continuing Professional Development as part of their training development programme. In addition, the Company Secretaries also attend trainings to keep themselves abreast with the latest developments in corporate and security law, listing rule and corporate governance.</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 1.5

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>The Board meets at least five (5) times a year and ad hoc Board meetings will be held as and when required. Meeting agendas are arranged considering the complexity of the proposals and when they are items for approval or noting by the Board in order for Board meetings to be more effective and to enable in-depth deliberation of matters.</p> <p>Notice of meetings setting out agenda and accompanied by the relevant Board papers are given to the Directors in advance prior to the Board and Board Committees meetings. This is to allow Directors with sufficient time to review, seek additional information and/or clarification on the matters to be deliberated at the meetings. Exceptions may be made for certain ad hoc or urgent instances upon Directors unanimously consent to short notice.</p> <p>The deliberations and conclusions of all pertinent issues discussed in the meetings are duly recorded by the Company Secretaries in the minutes of meetings. The minutes of meetings that record the decisions, including key discussions, rationale for decision made and any dissenting issues or concerns, are circulated to all the Directors within a reasonable timeframe after the meetings for review and approval.</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>	:	<p>The Board has adopted a Board Charter since 28 August 2013 and had on 21 August 2018 revised its Board Charter in line with the new Companies Act 2016, the new Malaysian Code on Corporate Governance and the recent amendments to the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Board Charter clearly sets out the Board practices and processes, roles and responsibilities of the Board, the Chairman, the Group MD, the Senior Independent Director, individual Directors and the Board Committees, matters that are reserved for Board’s consideration and decision-making power as to ensure accountability.</p> <p>In carrying out its duties, certain matters are specifically reserved for the Board’s decision, including overall strategic direction, annual operating plan, capital expenditure plan, material acquisitions and disposals, material capital projects, monitoring the Group’s operating and financial performance and reviewing key risks affecting the Company and its subsidiaries.</p> <p>Formal Board Committees established by the Board with defined terms of reference, namely the Audit Committee, Nomination Committee and Remuneration Committee assist the Board in the discharge of its duties. The Board Committees will deliberate and examine issues in greater detail within their respective Terms of Reference and make their necessary recommendations to the Board which retains full responsibility.</p> <p>The Board Charter is made available on the Company’s website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.com</a> and is periodically reviewed and updated to take into considerations the needs of the Company as well as any development in relevant rules, regulations and laws that may have an impact on the discharge of the Board’s duties and responsibilities.</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 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>	:	<p>The Company has a Corporate Code of Business Conduct and Work Ethics Policy ("Code") which applies to Directors, Management and employees of the Company and its subsidiaries. The Code sets out the Group's values and principles to guide standards of behaviour and business conduct when Directors, Management and employees deal with third party and these are integrated into company-wide management practices. The Code covers, amongst others, the following matters: -</p> <ul style="list-style-type: none"><li>• Compliance with applicable laws</li><li>• Conflict of Interest</li><li>• Confidentiality</li><li>• Fair Dealing</li><li>• Gifts, Gratuities and Entertainment</li><li>• Anti-Bribery</li><li>• Anti-Money Laundering</li><li>• Human Rights</li><li>• Protection and Proper Use of Company's Assets</li></ul> <p>The Company has designated the Group MD as its Compliance Officer to administer the Code. Directors, at their discretion may make any report or complaint provided for in the Code to the Chairman of the Board or the Group MD. The Chairman of the Board or the Compliance Officer will refer the complaints submitted as appropriate, to the Board of Directors.</p> <p>The compliance with the Code is mandatory for all Directors and employees of the Group and where applicable, counterparts and business partners. The Code is accessible on the Company's website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.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

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company recognises that any genuine commitment to detecting and preventing actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct must include a mechanism whereby employees and other stakeholders can report their concerns freely without fear of reprisal or intimidation.</p> <p>The Company has established a Whistleblowing Policy of which the Chairman of the Audit Committee, Mr Aaron Sim Kwee Lein is tasked to receive reports with regards to allegations of misconduct or improper activities from employees and other stakeholders and investigate any complaint received from a whistle-blower and to take appropriate action to address such complaint. The Chairman of the Audit Committee will report to the Board on a periodic basis about reports received and actions taken whilst the Board reserves the right to make any decision based on the findings of the Audit Committee's Chairman. For any reason, if the whistle-blower is not satisfied with the way he/she has been dealt with, he/she can escalate the report to the Chairman of the Board.</p> <p>The Whistleblowing Policy also sets out detailed procedures on how to make a complaint, the procedures after a complaint is received, and provides general information about whistleblowing and whistle-blower protection.</p> <p>The Whistleblowing policy is published on the Company's website (<a href="http://www.fmgloballogistics.com">www.fmgloballogistics.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

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> :	
<b>Explanation for departure</b> :	<p>The Board currently has eight (8) Directors, comprising four (4) Executive Directors, three (3) Independent Directors and one (1) Non-Independent Non-Executive Director. The Board composition is balanced and in compliance with Paragraph 15.02(1) of the MMLR of Bursa Securities which states that at least two (2) Directors or one-third (1/3) of the Board of Directors are Independent Directors.</p> <p>In view of the need to promote greater objectivity and independence in boardroom's deliberation and decision making, all Independent Directors of the Company are free from any relationships with other Board members and any other corporation in similar industry. Moreover, the Independent Directors are of high calibre with diversified background and skills, and in-depth experience in boardroom and leaderships positions. They have applied their vast experience and due care to discharge their duties and responsibilities as Independent Directors of the Company by exercising independent judgement and provide check and balance to the Board with unbiased and independent views to foster greater objectivity in boardroom.</p> <p>Further, the Company conducts assessment on the independence of Independent Directors annually based on the criteria of independence in the MMLR of Bursa Securities and other criteria, in particular their abilities to exercise their independent judgement and act in the best interest of the Company.</p> <p>Notwithstanding that, the Board acknowledges that having a majority of Independent Directors would undeniably uplift objectivity and prevent dominance in the boardroom as one element to improve Board effectiveness. As such, the Company will continue to source for suitable candidates as additional Independent Directors to the Board.</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> :	

<b>Timeframe</b>	:		
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### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	: Applied - Two Tier Voting
<b>Explanation on application of the practice</b>	<p>The policy on Independent Directors as per the Board Charter of the Company is the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and upon the completion of nine (9) years, an independent director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director.</p> <p>The Board, through the Nomination Committee ("NC") assesses the Independent Directors annually to ascertain their level of independence despite the long tenure. Independent Directors who have served for a cumulative term of nine (9) years may continue to serve the Company in that capacity only if an independence assessment conducted by the NC concluded that the independence of such Independent Director is preserved and not deteriorated in any manner due to passage of time. The Board will, based on the NC's recommendation, seek shareholders' approval to retain the Independent Directors with strong justification(s) at the Annual General Meeting.</p> <p>The Company has also decided to operationalise two-tier voting process as recommended by the MCGG for retention of Independent Directors beyond twelve (12) years in service. Such policy has been adopted in the Company's Board Charter.</p> <p>Currently, there are two (2) Independent Directors namely Datuk Dr. Hj. Noordin Bin Hj. Ab. Razak and Mr Aaron Sim Kwee Lein have served on the Board for more than twelve (12) years. The Independent Directors have demonstrated their commitment and willingness to allot sufficient time for attending and preparing the meetings as well as to advocate professional views without fear or favour and give their best efforts to contribute towards the stewardship of the Company and pursue an objective decision-making process. The Board therefore decides to seek two-tier shareholders' approval for the retention of long-servicing Independent Directors at the forthcoming Annual General Meeting.</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 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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 Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. This includes the selection of Board members and senior management.</p> <p>In addition, the Group believes it is of utmost importance that the Board and senior management is composed of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively.</p> <p>The Board has adopted a Diversity Policy by considering the number of aspects in designing the Board’s composition and senior management, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, knowledge, skills and length of service.</p> <p>In relation to recruitment of Director, the Board, through the NC, takes into consideration the benefits of boardroom diversity to appoint candidate based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. Consideration is also given to meeting the balance of Independent Directors on the Board.</p> <p>The current composition of the Board includes a diverse mix of skill sets, knowledge and experience (e.g. logistics and operations management, economics, accounting) and age between 50 to 73.</p> <p>In terms of officers and employees’ employment, the Company considers all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally when recruiting new staff. There will be no preference given to male applicants for a position and will ensure that any women with appropriate experience and qualifications are considered equally in the recruitment and selection process.</p> <p>The Diversity Policy of the Company is available on the Company’s website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.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**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>As explained in Practice 4.4 above, for the selection of Board members and senior management, the Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, cultural and education background throughout the organisation.</p> <p>Currently the Board comprises two (2) female Directors namely Ms Gan Siew Yong and Ms Lau Swee Chin, representing 25% of the total number of Board members.</p> <p>In tandem with the Company’s aspiration to attain diversity workforce, the Company has adopted a Diversity Policy which outlines its objectives and approach promoting diversity in the workplace.</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 4.6

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>As part of the Board's succession planning, the Nomination Committee ("NC") has established procedures for the appointment of new Director. The NC identified the set of skills and expertise required and selects individuals on review of their individual merits, regardless of gender, race and age.</p> <p>The NC may seek professional advice and/or conduct search by utilising variety of independent sources to identify potential candidates.</p> <p>Ms Lau Swee Chin, who was appointed on 21 August 2018, was selected through recommendations from the Company's contacts. The NC met her to assess her suitability before formally recommending her for appointment to the Board.</p> <p>The procedures for appointing Directors have been incorporated into the Terms of Reference of the NC which is available on the Company's website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.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**

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>	:	The Nomination Committee is chaired by the Senior Independent Non-Executive Director, Mr Aaron Sim Kwee Lein.	
<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 process of assessing the Directors is an ongoing responsibility of the NC and the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director (including the Independent Non-Executive Directors) and the Group MD.</p> <p>The NC had recently conducted an annual assessment and evaluation on the Board, the Board Committee and the individual Directors and the assessment results had been deliberated and presented to the Board during the Board Meeting held on 21 August 2018. The evaluation process was based on self and peer assessments whereby the Directors assessed each other and themselves, the Board as a whole and the performance of each Board Committees. The criteria and outcome of the assessments were properly documented.</p> <p>Based on the recent assessment, the NC was satisfied that the Board has the right size, balance and composition in terms of mix of skills and experience to optimise Company's performance and strategy. The Directors, Board Committees and each individual Director had discharged their responsibilities in a commendable manner and contributed to the overall effectiveness of the Board and the Company. The Directors had also committed their time to responsibly fulfil their commitment to the Company during the year.</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>	:		
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### 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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted a Remuneration Policy and Procedure for Directors and Senior Management which aims to attract, develop and retain high performing and motivated Directors and senior management with a competitive remuneration package.</p> <p>The Board, as a whole, determines the level of remuneration package of Non-Executive Directors and Executive Directors with the interested Directors abstaining from any deliberations or voting on their own remuneration.</p> <p>The remuneration package for Executive Directors and senior management are paid a remuneration commensurate with the responsibilities of their positions, reflecting their contributions for the year and which are competitive and consistent with its culture and strategy. Whilst the remuneration of Non-Executive Directors is linked to their level of responsibilities undertaken and contributions to the Board. The fees and other benefits in-kind paid to the Non-Executive Directors for carrying their duties as Directors of the Company are approved by the shareholders at the Annual General Meeting.</p> <p>The Remuneration Policy and Procedure for Directors and Senior Management are periodically reviewed and are disclosed on the Company's website.</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 6.2

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>	:	Applied													
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Remuneration Committee ("RC") since 2005 that consists exclusively of Non-Executive Directors. The RC comprises of the following members:-</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Directors</th> <th>Designation / Directorate</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Datuk Dr Hj. Noordin bin Hj. Ab. Razak</td> <td>Chairman/ Independent Non-Executive Director</td> </tr> <tr> <td>2.</td> <td>Aaron Sim Kwee Lein</td> <td>Member/ Senior Independent Non-Executive Director</td> </tr> <tr> <td>3.</td> <td>Chua Tiong Hock</td> <td>Member/ Non-Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The RC is responsible to recommend the remuneration framework for Non-Executive Directors as well as the remuneration packages of Executive Directors and senior management.</p> <p>The Remuneration Committee carried out its duties in accordance with its Terms of Reference which can be obtained from the Company's website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.com</a>.</p>		No.	Directors	Designation / Directorate	1.	Datuk Dr Hj. Noordin bin Hj. Ab. Razak	Chairman/ Independent Non-Executive Director	2.	Aaron Sim Kwee Lein	Member/ Senior Independent Non-Executive Director	3.	Chua Tiong Hock	Member/ Non-Independent Non-Executive Director
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<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 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>	:	Applied																																										
<b>Explanation on application of the practice</b>	:	The details of the remuneration received by each Directors for the financial year ended 30 June 2018 on a named basis are as follows: -																																										
		<table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Fees</th> <th>Meeting Allowance</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Datuk Dr. Hj. Noordin bin Hj. Ab. Razak</td> <td>RM81,600</td> <td>RM4,000</td> <td>RM85,600</td> </tr> <tr> <td>Aaron Sim Kwee Lein</td> <td>RM60,000</td> <td>RM5,000</td> <td>RM65,000</td> </tr> <tr> <td>*Lau Swee Chin</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Chua Tiong Hock</td> <td>RM60,000</td> <td>RM5,000</td> <td>RM65,000</td> </tr> <tr> <td>Chew Chong Keat</td> <td>RM54,000</td> <td>RM5,000</td> <td>RM59,000</td> </tr> <tr> <td>Yang Heng Lam</td> <td>RM54,000</td> <td>RM5,000</td> <td>RM59,000</td> </tr> <tr> <td>Gan Siew Yong</td> <td>RM54,000</td> <td>RM5,000</td> <td>RM59,000</td> </tr> <tr> <td>Ong Looi Chai</td> <td>RM54,000</td> <td>RM5,000</td> <td>RM59,000</td> </tr> <tr> <td><b>Total:</b></td> <td><b>RM417,600</b></td> <td><b>RM34,000</b></td> <td><b>RM451,600</b></td> </tr> </tbody> </table>			Name of Directors	Fees	Meeting Allowance	Total	Datuk Dr. Hj. Noordin bin Hj. Ab. Razak	RM81,600	RM4,000	RM85,600	Aaron Sim Kwee Lein	RM60,000	RM5,000	RM65,000	*Lau Swee Chin	-	-	-	Chua Tiong Hock	RM60,000	RM5,000	RM65,000	Chew Chong Keat	RM54,000	RM5,000	RM59,000	Yang Heng Lam	RM54,000	RM5,000	RM59,000	Gan Siew Yong	RM54,000	RM5,000	RM59,000	Ong Looi Chai	RM54,000	RM5,000	RM59,000	<b>Total:</b>	<b>RM417,600</b>	<b>RM34,000</b>	<b>RM451,600</b>
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**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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The top four Executive Directors on the Board also occupy the offices of the top five senior management of the Company. By virtue of the application of Practice 7.1, the Company has simultaneously applied Practice 7.2.</p> <p>The detailed remuneration of the four Executive Directors cum top four senior management is disclosed under the explanation of Practice 7.1.</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 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>	:	

**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>Mr Aaron Sim Kwee Lein, the Senior Independent Non-Executive Director serves as the Chairman of the Audit Committee whilst Datuk Dr. Hj. Noordin Bin Hj. Ab. Razak serves as the Chairman of the Board. This allows the Board to review the Audit Committee’s findings and recommendations with unfettered objectivity.</p> <p>Mr Aaron Sim is a Fellow member of the Chartered Association of Certified Accountants, a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditor Malaysia.</p> <p>Mr Aaron’s full profile is disclosed on page 10 of the 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**

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>	:	<p>In line with the recommendation of the MCCG, the Terms of Reference of the Audit Committee has been revised to include a cooling-off period of at least two (2) years before a former key audit partner could be appointed as a member of the Audit Committee to safeguard the independence of the audit of the financial statements.</p> <p>Such restriction is stated in the Audit Committee's Terms of Reference which is available on the Company's website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.com</a></p> <p>To date, the Company has not appointed any former key audit partner either as a Director or as an employee.</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 8.3

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>The Audit Committee is responsible for reviewing the audit provided by the external auditors. The audit committee ensures that the independence and objectivity of the external auditors are not compromised in accordance with the criteria set out in the External Auditors Assessment Policy adopted by the Company.</p> <p>In safeguarding and supporting external auditors' independence and objectivity, the Company has outlined the selection process of new external auditors, criteria for the annual assessment on the performance of external auditors, basic principles on the prohibition of non-audit services and the approval process for the provision of non-audit services in the Terms of Reference of the Audit Committee.</p> <p>The Board has determined that the provision of non-audit service contracts which cannot be entered into with the external auditors include strategic decision, internal audit and policy and standard operating procedures documentation. The Board was of view that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services provided to the Group.</p> <p>The Audit Committee had recommended to the Board the re-appointment of the external auditors namely Crowe Malaysia after considering the results of annual assessment on the performance, suitability and independence of the external auditors covering the following criteria: -</p> <ul style="list-style-type: none"><li>○ Calibre of the external auditors</li><li>○ Resources, Quality Processes and Performance</li><li>○ Independence, Objectivity and Professionalism</li><li>○ Audit Scope and Planning</li><li>○ Audit Communications</li></ul> <p>Based on the assessment results, the Audit Committee was satisfied with the suitability of the external auditors and recognised that the provision of non-audit services by Crowe Malaysia for the financial year 2018 did not in any way impair their objectivity and independences as external auditors of the Company.</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> :	

## 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>	:	<p>The Board, via the NC, had conducted the annual review of the term of office and performance of the Audit Committee and each of its members, concurrently with the annual Board assessment pursuant to Paragraph 15.20 of the MMLR of Bursa Securities.</p> <p>Based on the results of the recent evaluation, the Board is satisfied with the performance of the Audit Committee as the Chairman and its members possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the Audit Committee. The Chairman of the Audit Committee, Mr Aaron Sim is a Fellow member of the Chartered Association of Certified Accountants, a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditor Malaysia. Therefore, the Audit Committee meets the requirement of Paragraph 15.09(1)(c)(i) of the MMLR of Bursa Securities which stipulated that at least 1 member of the Audit Committee is an accountant.</p> <p>Members of the Audit Committee are financially literate as they continuously keep themselves abreast with the latest development in the new accounting and auditing standards and the impact it may have on the Group through briefings by the management and the external auditors. The composition of the Audit Committee is set out in the Audit Committee Report on page 42 while the profiles of each member are disclosed in the Directors' profiles from pages 9 to 11 of the Annual Report 2018.</p> <p>The Audit Committee ensures that the financial reports of the Company comply with applicable financial reporting standards.</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 9.1

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 is responsible for establishing and overseeing the Group's risk management framework and system of internal control and ensuring the adequacy and effectiveness of the system.</p> <p>The Board recognises that it is crucial to achieve a critical balance between risks incurred and potential returns for the viability of the Group. Thus, the Company has established an Enterprise Risk Management ("ERM") framework which proactively identifies, evaluates and manages key risks of the Group. The ERM framework and its methodology are in line with ISO 31000:2009 – Risk Management Principles and Guidelines, to promote risk ownership and the continuous monitoring of key risks identified. The Board has delegated the responsibility to the Executive Directors to approve and review the process and framework formulated to identify, measure and monitor various risk components.</p> <p>Furthermore, the Board has established an organisation structure with clearly defined lines of responsibility and accountability which are aligned to its business and operations requirements which support the maintenance of a strong control environment. It has extended the responsibilities of the Audit Committee to include the assessment of internal controls through the Internal Audit function.</p> <p>The Group as a whole has established several risk management processes where the responsibility and accountability are with the various Head of Divisions and also involving the participation of the Executive Directors and also internal auditors. The Head of Divisions are responsible for the day-to-day management of risks inherent in their business activities, while the Executive Directors are responsible for setting the risk management framework as well as developing tools and methodologies. Complementing this is internal audit, which provides an independent assurance of the effectiveness of the risk management approach. These risk management processes are aligned across the business units and subsidiaries of the Group through the streamlining of the risk framework, policies and organisational structure in order to embed and enhance a risk management culture based on the Group's business segments, its regional growth and expansion plans.</p>

	<p>In addition to the above, the ERM Manual which outlines the Risk Policy, Risk Governance Structure, and the Risk Management Processes in line with the ISO 31000:2009 - Risk Management Principles and Guidelines had also been established. The Risk Register outlines and categorises the sources of risks, the impacts, the risk owners and the controls that are in place. The ERM plan had also been implemented and is a continuous on-going process to check and review the key risks to ensuring the controls are adequate, effective and where necessary developing further actions for continuous improvement.</p> <p>The Board affirms its overall responsibility for establishing an effective risk management and internal control framework which is in place and has been enhanced.</p> <p>For detailed information, please refer to the Statement on Risk Management and Internal Control on pages 56 to 58 in the Annual Report of the Company.</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

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 internal control and risk management framework of the Company are designed to manage rather than eliminate risks and to provide reasonable but not absolute assurance against any material misstatement or loss.</p> <p>The Management facilitates the implementation of the risk management framework and processes of the respective businesses and reviews risks that may impede the achievement of objectives are adequately identified, evaluated, managed and controlled.</p> <p>Features of the internal control and risk management framework of the Company are set out in the Statement on Risk Management and Internal Control. Amongst others, these include:</p> <ul style="list-style-type: none"> <li>• Ensure the continuity of business</li> <li>• Safeguard the asset of the Group</li> <li>• Safeguard the interest of all stakeholders</li> <li>• Preserve the safety and health of its employees</li> </ul>
<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>	:	

### 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 responsibility to review the adequacy and integrity of the internal control function has been delegated by the Board to the Audit Committee. The Audit Committee in turn assesses the adequacy and integrity of the internal control function through independent reviews conducted by an outsourced internal audit consultant, namely Grant Thornton Consulting Sdn Bhd (“Internal Auditors”), in collaboration with the management.</p> <p>The Internal Auditors had reviewed the Group’s system of internal controls and had reported the yearly internal audit activities to the Audit Committee on a quarterly basis. The Internal Auditors had adopted a risk-based approach in undertaking the internal audits for the Group which involved the establishment of a comprehensive audit plan formulated through a risk assessment process. In doing so, the Internal Auditors had planned the engagement through conducting necessary consultation sessions with the senior management and staff in order to identify the relevant risks faced by the Group. With the necessary understanding of these risks, it had facilitated the Internal Auditors to develop comprehensive audit programs in order to identify any weaknesses in the system of internal controls.</p> <p>At the same time, the Board had ensured that relevant control measures were implemented so as to address the control weaknesses identified during the course of internal audits and enhance the integrity of the Group’s system of internal controls ultimately. This was carried out via necessary consultation with the Internal Auditors and senior management.</p> <p>The Board recognises that the development of good system of internal controls for the Group is a continuous process. Hence, the Board encourages interactive discussions of audit findings through the Audit Committee, taking into consideration possible establishment of additional control measures in managing its risks within the Group from time to time.</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

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>	:	<p>The Group has engaged an outsourced internal audit consultant, namely Grant Thornton Consulting Sdn Bhd (“Internal Auditors”) to conduct review on the Group’s internal audit function. During the financial year 2018, the Internal Auditors has provided a total of 6 personnel to the internal audit function. The Internal Auditors report directly to the Audit Committee. All the personnel were free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of their work.</p> <p>The Internal Auditors are led by Encik Mohamad Nasir Baharom, who is a member of the Institute of Internal Auditors Malaysia, and Mr Yong How Ching, graduated with ACMA, CGMA, BA (Hons.) Accounting and Finance. All internal audit work carried out is guided by International Professional Practices Framework published by The Institute of Internal Auditors.</p> <p>In accordance with the Terms of Reference of the Audit Committee, the Audit Committee had on 21 August 2018 conducted an annual assessment on the adequacy of the scope, competency and resources of the internal audit function. The Audit Committee was satisfied that the Internal Auditors have discharged their responsibilities in a commendable manner, performed competently, functioning effectively and have received sufficient resources and adequate authority in order to carry out their work.</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 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 Group acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Board endeavours to ensure that communication with the Group's stakeholders are conducted in a continuous and forthcoming manner guided by the Company's Corporate Disclosure Policies and Procedures.</p> <p>The Group ensures that the Company's corporate website at <a href="http://www.fmgloballogistics.com">www.fmgloballogistics.com</a> contains all information relating to the Company, corporate announcements, quarterly financial results, Annual Reports, Company's policies and procedures and/or operation reviews so as to promote a closer association with its stakeholders by allowing accessibility of information.</p> <p>The Company also encourages engagement with shareholders at the Annual General Meeting conducted annually where shareholders have the opportunity to post questions and comments on the Company's performance and operations.</p> <p>Shareholders and investors can also forward their enquiries about the Company via email: <a href="mailto:enquiry-my@fmgloballogistics.com">enquiry-my@fmgloballogistics.com</a> any time throughout the year.</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 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>	:	Whilst certain hallmarks of integrated reporting may be embodied in the Annual Report of the Company such as qualitative sustainability indices contained within the Sustainability Report of the Company, it is on the whole not an integrated report based on the parameters set out by the International Integrated Reporting Council’s (IIRC) Integrated Reporting Framework.	
		Currently the Group has yet to adopt an integrated reporting as the Company is not a Large Company as defined under the MCCG. The Board believes that the Company’s integrated reporting journey should be built on the foundational steps in tandem with the growth 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 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company serves the Notice of Annual General Meeting to the shareholders of the Company at least 28 days prior to the meeting for financial year 2018. The Company also published the Notice of Annual General Meeting in a nationally circulated newspaper.	
<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**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Annual General Meeting remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the operations of the Group.</p> <p>The date of the Annual General Meeting of the Company is commonly scheduled at the beginning of the calendar year to ensure that all the Directors are present to provide meaningful response to questions addressed to them. All the Directors including Chairman of the respective Board Committees had attended the last Annual General Meeting held on 29<sup>th</sup> November 2017.</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**

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Group does not have a large number of shareholders. The attendance of the shareholders during Annual General Meetings consistently represented at least 60% of the total shareholdings of the Company. As such, the Board is of the view that voting in absentia and remote shareholder’s participation at General Meetings are currently not warranted.</p> <p>Notwithstanding that, the Board has taken necessary steps to provide maximum opportunity for shareholders to participate and engage with the Board and Management by convening its Annual General Meeting at a central and easily accessible location providing ample parking space for shareholders and at a convenient time.</p>
		No alternate practice.
<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 PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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