

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5916
COMPANY NAME : MALAYSIA SMELTING CORPORATION BERHAD
FINANCIAL YEAR : DECEMBER 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its key role in setting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none">• to promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior;• to review and adopt a strategic plan for the Group to ensure sustainability of its business as the Board brings objectivity and breadth of judgment;• to oversee the conduct of the Group's businesses and evaluate whether the businesses are being properly managed;• to identify principal business risks and ensure the implementation of appropriate internal controls and mitigating measures to manage these risks;• to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of Senior Management;• to review management proposals for the Company; and• to review the adequacy and the integrity of the Group's internal control system and management information system. <p>To ensure the proper discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee and Nominating & Remuneration Committee and further entrusted to them, specific responsibilities to oversee the Group's affairs and authority to act on the Board's behalf in accordance with their respective terms of reference. The Chairman of the relevant Board Committees also report to the</p>

	<p>Board on key issues deliberated at their respective meetings. The ultimate responsibility for decision making, however, lies with the Board.</p> <p>The roles and functions of the Board, as well as roles delegated to Management, are clearly delineated in the Board Charter. This is taken into account through a formal schedule of matters reserved for the Board which includes setting the overall Group strategy and direction, approving major capital expenditure, consideration of significant financial matters and monitoring of financial and operating performance of the Group. Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. Such demarcation of roles is clearly set out in the Board Charter and Delegation of Authority which complement and reinforce the supervisory role of the Board. The Group's Code of Ethics continues to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour. The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.</p> <p>The salient features of the Board Charter and Code of Ethics can be found at the Company's website at www.msmelt.com.</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

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

Practice 1.2

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board is chaired by a Non-Independent Non-Executive Director. The Board comprises a majority of Independent Directors where the Chairman of the Board is not an Independent Director.</p> <p>Ms. Chew Gek Khim, a Non-Independent Non-Executive Director, is the Chairman of the Company and she leads the Board to ensure the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>There is a clear division of responsibilities between the Chairman and the CEO to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making.</p> <p>Chairman</p> <p>Ms. Chew Gek Khim, a Non-Independent Non-Executive Director, is the Chairman of the Company and she leads the Board to ensure the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.</p> <p>CEO</p> <p>Dato ' Dr. Ir. Patrick Yong Mian Thong as the CEO is tasked to manage the business and operations of the Company and to implement the Group's strategic plans, policies and decisions adopted by the Board. The CEO is also tasked with ensuring that whilst the ultimate objective is maximising total shareholders' return, social and environmental factors are not neglected and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees and providing effective leadership to the Group's organisation.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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>Directors have unrestricted access to the advice and services of the Company Secretary. The Board is regularly updated and advised by a Company Secretary who is qualified, experienced and competent on new statutory and regulatory requirements, and their resultant implications to the Company and Directors in relation to the duties and responsibilities of the Board.</p> <p>The Company Secretary, who oversees adherence to board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee meetings to ensure that the meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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	:	The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests. The Board and Board Committee papers are circulated in advance prior to the meetings to allow the Board members adequate time for making informed decisions and effective discharge of Board's responsibilities. Minutes of Board and Board Committee's meeting are circulated in a timely manner for review.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied.	
Explanation on application of the practice	:	<p>Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives.</p> <p>Such demarcation of roles is clearly set out in the Board Charter and Delegation of Authority which complement and reinforce the supervisory role of the Board.</p> <p>The salient features of the Board Charter can be found at the Company’s website at www.msmelt.com.</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 Group's Code of Ethics continues to set out the standards of ethics and conduct expected from its Directors and employees to enhance the standards of corporate governance and corporate behaviour. The Code of Ethics covers all aspects of the Group's business which include, amongst others, confidentiality of information, dealings in securities, conflict of interest, gifts, bribes and dishonest conducts.</p> <p>The salient features of the Code of Ethics can be found at the Company's website at www.msmelt.com.</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 3.2

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 had also put in place a whistle-blowing policy which allows the whistle-blower to raise concerns about actual or potential corporate fraud or breach of ethics involving employees, Senior Management or Directors of the Group. Whistle-blowing reports are addressed to Designated Officers of the Group, namely Internal Auditor, Company Secretary, Chief Operating Officer or the Chairman of the Audit Committee following the form and specific conditions as prescribed under the policy. The policy also affirms that the identity of the whistle-blower will be kept confidential and protection will be accorded to the whistle-blower against any form of reprisal or retribution.</p> <p>The salient features of the whistle-blowing policy can be found at the Company's website at www.msmelt.com.</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

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 of independent directors.

Application	:	Applied.	
Explanation on application of the practice	:	As at the date of this Statement, the Board comprises six (6) members, all Non-Executive Directors, five (5) of whom are Independent. The Board is chaired by a Non-Independent Non-Executive Director. The Board comprises a majority of Independent Directors where the Chairman of the Board is not 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

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

Practice 4.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Independent Non-Executive Directors bring objective and independent views, advice and judgment on interests, not only of the Group, but also of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.</p> <p>For the independent director of whom the tenure exceeds a cumulative term of nine (9) years, the independent director may continue to serve the Board subject to the director's re-designation as a non-independent director upon his/her completion of the nine (9) years. This unwritten policy serves as a guide in limiting the tenure of the independent director to nine (9) years.</p> <p>However, the Board may, in exceptional circumstances decide that a director remains as an independent director after serving a cumulative term of nine (9) years, subject to the following:</p> <ul style="list-style-type: none">(i) assessment by the Nominating Committee, regarding the independence and contribution of the said Director; and(ii) shareholders' approval in a general meeting, where the Board, assisted by the Nominating Committee, provides strong justification on such recommendation.

	Presently, none of the independent directors of the Company has served a cumulative term of nine (9) years or more.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Applied.
Explanation on adoption of the practice	:	For the independent director of whom the tenure exceeds a cumulative term of nine (9) years, the independent director may continue to serve the Board subject to the director's re-designation as a non-independent director upon his/her completion of the nine (9) years. This unwritten policy serves as a guide in limiting the tenure of the independent director to nine (9) years.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board members are from different backgrounds with diverse perspectives. The mix of skills and experience is essential for successful attainment of corporate plans and objectives of the Group. A brief description of each of the Director's background is set out in the Directors' Profile on pages 14 to 16 of this Annual Report.</p> <p>As for the senior management whose profile can be found on pages 18 to 21 of this Annual Report, they are from different background, age, race/ethnicity and have diversified working experiences.</p> <p>The chairman of the Nominating & Remuneration Committee is Mr. Chia Chee Ming, Timothy, the Senior Independent Director of the Company. The Committee is primarily responsible to advise the Board on the nomination of new Board members and/or Board member and assessment of the effectiveness of the Board as a whole, the Committees of the Board, to conduct an assessment and evaluation on the contribution of each individual director and effectiveness of the Audit Committee.</p> <p>The Committee is also responsible for reviewing the Board composition, gender diversity and right mix of skills and balance as well as considering the Board's succession planning and making recommendations for new appointment of directors and members of Board Committees as well as identifying suitable training programmes for the Board. It also recommends to the Board on the remuneration policy and framework, performance measures criteria and proposes to the Board on the remuneration of the directors and senior management (ie General Manager and above).</p> <p>Furthermore, the Nominating & Remuneration Committee also approves the appointment of senior management to ensure that there is diversity in skills, experience, age, cultural background and gender.</p>

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

Intended Outcome

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

Practice 4.5

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

Application	:	Departure.	
Explanation on application of the practice	:		
Explanation for departure	:	Insofar as Board diversity is concerned, the Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. Nevertheless, the Board takes cognizance of the policy of the Government advocating for more women directors on the Board of PLCs and shall give due considerations when assessing their candidature. Presently, there is one (1) woman director in the Board.	
<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 4.6

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	:	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.	
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 chairman of the Nominating & Remuneration Committee is Mr. Chia Chee Ming, Timothy, the Senior Independent Director of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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 Committee reviews annually the required mix of skills and experience for Directors and assesses annually the contributions of each individual Director and the effectiveness of the Board Committees and the Board as a whole.</p> <p>The Nominating & Remuneration Committee reviews and evaluates the performance of individual Director including Independent Non-Executive Directors, Board as a whole and Board Committees on an annual basis with the aim of providing individual contribution effectiveness of the Board and its Committees, identify gaps, maximise strengths and address weaknesses of the Board.</p> <p>The assessment criteria used in the assessment of Board, Board Committees and individual Director include mix of skills and experience and size of the Board, quality of inputs, understanding of their roles, duties and responsibilities and etc.</p> <p>The assessment of the independence of Independent Directors is in accordance with the criteria as set out in the Bursa Malaysia Main Market Listing Requirements.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure.	
Explanation on application of the practice	:		
Explanation for departure	:	The determination of remuneration of Non-Executive Directors is a matter for the Board, as a whole to decide with individual directors abstaining from the discussion of his/her own remuneration. Although there is no remuneration policy in place, the Board in deciding, the appropriate level of fees of each Non-Executive Director, takes into consideration, the experience, the level of responsibilities undertaken, time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers as well as the number of memberships assumed on Board Committees.	
		In deciding the remuneration for senior management, the Board takes into consideration the skills, qualification, working experience and performance of the senior management.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Nominating and Remuneration Committee is primarily responsible to advise the Board on the nomination of new Board members and/or Board member and assessment of the effectiveness of the Board as a whole, the Committees of the Board, to conduct an assessment and evaluation on the contribution of each individual director and effectiveness of the Audit Committee. The Committee is also responsible for reviewing the Board composition, gender diversity and right mix of skills and balance as well as considering the Board's succession planning and making recommendations for new appointment of directors and members of Board Committees as well as identifying suitable training programmes for the Board. It also recommends to the Board on the remuneration policy and framework, performance measures criteria and proposes to the Board on the remuneration of the directors and senior management (ie General Manager and above).</p> <p>The determination of remuneration of Non-Executive Directors is a matter for the Board, as a whole to decide with individual directors abstaining from the discussion of his/her own remuneration. Although there is no remuneration policy in place, the Board in deciding, the appropriate level of fees of each Non-Executive Director, takes into consideration, the experience, the level of responsibilities undertaken, time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers as well as the number of memberships assumed on Board Committees. In deciding the remuneration for senior management, the Board takes into consideration the skills, qualification and working</p>

	<p>experience of the senior management.</p> <p>The Terms of Reference of the Nominating and Remuneration Committee can be found at the Company's website at www.msmelt.com.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.1

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 are set out in para 3.2 of the Statement on Corporate Governance on page 56 of the Annual Report 2017.	
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	:	The Company has disclosed the top five senior management's remuneration component in bands width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not adopted
Explanation on 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 Committee is Dato' Robert Teo Keng Tuan, an independent director of the Company. Ms Chew Gek Khim is 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	:	<p>The Company recognizes the importance of independence of its external auditors and that no possible conflict of interest whatsoever should arise.</p> <p>None of the members of the Board were former key audit partners. Hence, no member of the Audit Committee was a former key audit partner.</p> <p>The Group will observe a cooling-off period of at least two years in the event of any potential candidate to be appointed as a member of the Audit Committee was a key audit partner.</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 8.3

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 Board, via the Audit Committee, has formalised policies and procedures to assess the suitability and independence of the External Auditors. Such policies and procedures entail the provision of written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the code of ethics on independence set out by the Malaysian Institute of Accountants. The policies also set out the type of non-audit services that may be provided by the External Auditors, including the thresholds and procedures that need to be observed should the External Auditors be contracted to provide the non-audit services. It is also a mandatory requirement for our External Auditors, Messrs Ernst & Young to rotate the audit engagement partner as well as its other key audit partners from their audit of MSC and its subsidiaries once in every 5 years as set out in the Malaysian Institute of Accountants' By-Laws (on Professional Ethics, Conduct and Practice).</p> <p>In this regard, the Audit Committee had assessed the independence of Messrs Ernst & Young as External Auditors of the Company as well as reviewed the level of non-audit services to be rendered by Messrs Ernst & Young to the Company for the financial year ended 31 December 2017. Having satisfied itself with their technical competency, audit independence and fulfillment of criteria as set out in the policy, the Audit Committee recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.</p>
Explanation for departure :	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied.
Explanation on adoption of the practice	:	The Audit Committee comprise solely of Independent Directors namely the following Independent Directors: (1) Dato' Robert Teo Keng Tuan - Chairman (2) Dato' Ng Jui Sia (3) Mr Yap Chee Keong

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>All members of the Audit Committee are financially literate. They have the following qualifications and years of working experience in dealing with financial reporting and accounting or financial related matters:</p> <p>(1) Dato' Robert Teo Keng Tuan</p> <ul style="list-style-type: none">- Member of the Malaysian Institute of Accountants- Fellow member of the Institute of Chartered Accountants in England and Wales- Member of the Malaysian Institute of Certified Public Accountants- Member of the Institute of Taxation, England <p>(2) Dato' Ng Jui Sia</p> <ul style="list-style-type: none">- Bachelor's Degree in Business Administration, University of Singapore- Associate of the Institute of Chartered Accountants in England and Wales <p>(3) Mr. Yap Chee Keong</p> <ul style="list-style-type: none">- Bachelor of Accountancy, National University of Singapore- Fellow of the Institute of Singapore Chartered Accountants- Fellow of the Certified Practising Accountants Australia- Fellow of the Singapore Institute of Directors <p>Save for Dato' Ng, the other members of the Audit Committee have attended the trainings or undertake continuous professional development as enumerated on page 53 to page 54 of the Statement on Corporate Governance.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>Recognising the importance of risk management and internal controls, the Board has in past years formalised a structured risk management and internal control framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis. The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.</p> <p>The Company has also appointed KPMG Mgmt. & Risk Consulting Sdn Bhd as the service provider for Enterprise Risk Management Updates for the Group for financial year 2017.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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 Board believes that maintaining an effective risk management and internal control system is premised on the following key elements of the Group's risk management framework: <ul style="list-style-type: none"> • A risk management structure which outlines the lines of reporting and establishes the responsibilities at different levels, i.e. the Board, Audit Committee and Management, as follows: <ul style="list-style-type: none"> ➤ Board and Audit Committee – ensure that there is a sound framework for internal controls and risk management; ➤ Group Risk Management Steering Committee (“GRMSC”) – comprises the Chief Executive Officer (“CEO”) and the Heads of respective Business Units which are tasked to review and approve the annual risk management work plan and report significant risk issues to the Audit Committee. The GRMSC is assisted by a Group Risk Manager; and ➤ Business/division heads – to review the risk profiles and performance of business units and reports to the GRMSC. • Identification of principal risks (present and potential) faced by business units in the Group and Management's plans to mitigate or manage these risks. For the financial year under review, risk assessments and updates were undertaken by all five (5) business/division heads. The results of these assessments and management action plans to manage critical risks were reported by the heads to the GRMSC for their further review. The Audit Committee, with assistance from the Group Internal Audit function, GRMSC and external consultants, then reviewed the Group Risk Profile which was compiled from the review of the individual risk profiles and risk registers. For each principal risk, the assessment process considers the potential likelihood of occurrence and magnitude, effectiveness of controls in place (if any), and action plans taken to manage those risks to the desired level. The risk responses and internal controls that Management have taken and/or are taking are discussed at Audit Committee meetings; • Risk appetite and parameters (qualitative and quantitative) for the Group and individual business units have been articulated so as to gauge the acceptability of risk exposures; • Risk Management Policy and Guidelines Document was reviewed and updated for adoption across the Group. The

	<p>document offers practical guidance to employees on risk management issues; and</p> <ul style="list-style-type: none"> • Preparation of action plans to address risk and control issues on an ongoing basis. The action plans include the utilization of internal audit procedures, as discussed in further detail below. <p>Whilst the Board considers the risk management framework to be robust, the framework is still subject to periodic testing and continuous improvement, taking into consideration better practices and the changing business environment.</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

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	: Not adopted. The Company has plan to set up a Risk Management Committee in year 2018.
Explanation on adoption of the practice	:

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 in place an adequately resourced and an independent in-house Internal Audit function, which reports directly and provides assurance to Audit Committee on the adequacy and effectiveness of risk management, internal control and governance systems. In carrying out its activities, the Internal Audit function has unrestricted access to the relevant records, personnel and physical properties.</p> <p>The Internal Audit function independently reviews the risk identification, evaluation and control processes implemented by Management, and reports to Audit Committee on a quarterly basis the outcome thereof. The Internal Audit function also reviews the internal control system within the Group based on a detailed annual internal audit plan approved by the Audit Committee. Its audit strategy and plan are based on the risk profiles of major business units of the Group. The Audit Committee evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities.</p> <p>Further details of the work undertaken by the Internal Audit function are set out in the Audit Committee Report on page 62 of this Annual Report as well as the Corporate Governance Report of Malaysia Smelting Corporation Berhad which is made available on the website of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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>Mr. Yoon Choon Kong, the Internal Auditor is an associate member of the Institute of Internal Auditors Malaysia and a certified Lead Auditor.</p> <p>He is supported by 3 staff in the Internal Audit Division and he does not have any relationships or conflicts of interest with the Company.</p> <p>The Internal Audit function provides independent assurance on the adequacy and integrity of the risk management, internal control and governance processes.</p> <p>The Internal Auditor, who reports directly to the Audit Committee, is responsible for the regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.</p> <p>A summary of the work undertaken by the Internal Audit function during the financial year is as follows:</p> <ul style="list-style-type: none"> • Prepared the annual risk-based internal audit plan for the Committee's approval; • Carried out internal audits of the Group on a risk-based basis to review the adequacy of internal controls in the auditable areas and to assess consistency in the compliance with established policies and procedures. Verification (on sampling basis) of the existence, adequacy and effectiveness of risk controls established by Management within the selected processes and/or sub-processes covering strategic, operational and financial aspects of the Group's operations; • Issued internal audit reports to the Committee on the

	<p>state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures and management action plans to mitigate identified risks, with copies extended to Management, highlighting deficiencies together with corresponding improvement opportunities. The Internal Auditor attended all Audit Committee meetings and presented reports on areas of audit concern for the Committee's deliberation; and</p> <ul style="list-style-type: none"> • Monitored remedial action taken by Management in response to recommendations made to address internal control deficiencies highlighted in previous cycles of internal audit.
<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

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	:	The Company recognises the importance of being transparent and accountable to its investors and, as such, has maintained an active and constructive communication policy that enables the Board and Management to communicate effectively with investors, financial community and the public generally. The various channels of communications are through the quarterly announcements on financial results to Bursa and the SGX, relevant announcements and circulars, if any, AGM and through the Group's website at www.msmelt.com where shareholders can access corporate information, annual reports, press releases, financial information, company announcements, share prices and social responsibility reporting.
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 Group will consider adopting integrated reporting in the future.	
		Integrated reporting is a new area in the market.	
<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 12.1

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

Application	:	Applied.	
Explanation on application of the practice	:	<p>The Company dispatches its notice of AGM to shareholders at least twenty eight (28) days before the date of the meeting to enable shareholders to go through the annual report and papers supporting the resolutions proposed.</p> <p>The Company has dispatched its notice of AGM on 30 April 2018 for the AGM of the Company which is held on 30 May 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Departure.	
Explanation on application of the practice	:		
Explanation for departure	:	All directors have always committed to attend the general meetings.	
		At the last year AGM, not all directors attended the Company's AGM due to urgent matters needed to be attended to by them and hence, two directors were unable to attend the said AGM.	
		However, the External Auditors and chairman of Nominating & Remuneration Committee were present to provide response if there were any questions addressed to them.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Company’s Annual General Meeting is held within city limits and not in remote location.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
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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