

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3859
COMPANY NAME : Magnum 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 PURSUANT TO 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	:	<ul style="list-style-type: none">▪ The Board is collectively charged with the responsibility of leading and managing the business and affairs of the Group in an effective manner. Each director has a legal duty to act in the best interest of the Company at all times. <p>The Board assumes, among others, the following principal duties and responsibilities:-</p> <ul style="list-style-type: none">(a) Establishing the corporate vision and mission, as well as the philosophy of the Group;(b) Reviewing, adopting and monitoring the overall strategies and direction of the Group including setting performance objectives and approving the annual operating budgets for the Group as well as ensuring that the strategies promote good corporate governance culture and sustainability;(c) Overseeing the conduct and performance of the Group's businesses to evaluate whether the businesses are being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;(d) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;(e) Succession planning for the Board and Senior Management, including appointing, training, fixing the compensation of, and where appropriate, replacing Key Senior Management;(f) Developing and implementing an investor relations

	<p>programme or stakeholders' communications policy for the Group to ensure an effective, transparent and regular communication with its stakeholders;</p> <p>(g) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;</p> <p>(h) Overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/significant financial and non-financial risks facing the Group;</p> <p>(i) Review and support the World Lottery Association's Responsible Gaming Framework established to ensure compliance to the comprehensive set of standards related to social responsibility; and</p> <p>(j) Review and ensure Management compliance to the World Lottery Association's Security Control Standards 2016 which includes the Information Security Management System Standard ISO/IEC 27001:2013.</p> <ul style="list-style-type: none"> ▪ Every year, the Board meets at least five times to discharge its duties and responsibilities in a transparent and objective manner with integrity, transparency, accountability and professionalism to safeguard the interest of all stakeholders and enhance shareholders' value as well as for long-term sustainability and growth. ▪ The Chairman ensures that decisions are made on a sound and well-informed basis and ensures all strategic and critical issues are considered and discussed by the Board and that all Directors received clear, relevant and comprehensive information on a timely basis. ▪ The Executive Director formulates and initiates corporate proposals and business strategies, and directions for Board's discussion, approval and adoption. Thereafter, he will oversee and monitor the implementation of the Board's procedures and policies within the budgeted resources approved by the Board. ▪ The Board receives updates from the Management on the Group's operations and performance as well as the status of implementation of the Board's policies and decisions during the Board Meetings. ▪ Annual key performance indicators are set for important tasks and communicated to Management, and will be periodically reviewed during monthly Management's meeting and any critical unresolved issues will be escalated to the Board for decision during its quarterly meetings.
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	<ul style="list-style-type: none"> ▪ The Board reviews and approves the Group’s capital expenditures, operational and other supplemental budgets annually to ensure that the necessary resources are in place for the Group to meet its objectives. ▪ Apart from the four Board Committees, sub-committees such as Management Risk Committee, Information Security Committee and Sustainability Committee have been established to assist and complement the Board and its Committees in the execution of its responsibilities. <p>The Board is aware that this delegation of work does not abdicate its responsibilities and such delegations do not in any way hinder nor reduce the Board’s ability to discharge its functions efficiently.</p> <ul style="list-style-type: none"> ▪ Since year 2013, the Group has adopted a Business Continuity Plan and Disaster Recovery Plan in line with the World Lottery Association-Security Control Standard which is reviewed annually and tested at least once a year. ▪ The Directors published the Group’s key corporate values on the Company’s annual report and website to promote and implement good corporate culture within its Group which reinforces ethical, prudent and professional behaviour. ▪ The Directors also published its Board Charter, Code of Business Conduct and Ethics, its Committees’ Terms of Reference and other official corporate frameworks on the Company’s website to ensure its obligations to its stakeholders are understood and met.
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 1.2

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 led by a Non-Executive Chairman, Tan Sri Dato' Surin Upatkoon. The key roles and responsibilities of the Non-Executive Chairman are clearly set out and established in the Board Charter which include, among others, the following:</p> <ul style="list-style-type: none"> (a) responsible for the leadership, effectiveness conduct and instilling good corporate governance practices of the Board; (b) managing the Board's communications and the Board's effective supervision over the Management; (c) ensuring orderly conduct and proceedings of the Board and general meetings; (d) ensuring Board proceedings are in compliance with good conduct and best practices; (e) encouraging active participation and allowing dissenting views to be freely expressed; (f) protecting the interest and provide for the information needs of various stakeholders; and (g) maintaining good contact and effective relationships with external parties and investing public.
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>The Chairman, Tan Sri Dato' Surin Upatkoon, and the Executive Director, Dato' Lawrence Lim Swee Lin, both hold distinct and separate responsibilities and authority clearly defined in the Board Charter which is made available on the Company's website.</p> <p>In summary, the Chairman of the Board provides overall leadership to the Board in decision making, instilling good corporate governance practices and is primarily responsible for the orderly conduct and working of the Board.</p> <p>The Executive Director is responsible for the day-to-day running of the business and implementation of Board's policies and decisions.</p> <p>The distinct and separate roles with clear division of responsibilities in the Board ensure a balance of power and authority at all times, such that no one individual has unfettered decision-making powers.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board is supported by suitably qualified and competent Company Secretaries. Every Director also has ready and unhindered access to the advice and services of the Company Secretaries. Both Company Secretaries are qualified to act as company secretary and meet the requirement under Section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board particularly with regard to the Company's constitution, Board policies and procedures, corporate governance issues and Directors' responsibilities in complying with regulatory requirements, codes, guidance and legislation.</p> <p>The Company Secretaries also regularly update the Board on changes to statutory and regulatory requirements and advise the Board on the impact, if any, to the Company and the Board. The Company Secretaries attend all Board and Board Committees meetings as well as general meetings and ensure that deliberations and decisions are well documented and kept, and subsequently communicated to the relevant Management for appropriate actions.</p> <p>The Company Secretaries also serve notices to the Directors and principal officers to notify and periodically remind them of the closed periods for dealings in the Company's shares pursuant to the provisions under the Listing Requirements. In addition, they work closely with Management to facilitate the flow of timely and accurate information to the Board.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments through attendance at relevant conferences and continuous training programmes.</p> <p>The Board is satisfied with the support and performance provided by the Company Secretaries in assisting the Board to discharge its duties.</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	<p>The Board recognises that decision making process is highly dependent on the quality of information furnished. As such, the Board expects and receives adequate, timely and quality information on an ongoing basis to enable the effective discharge of its duties.</p> <p>The Board receives updates from the Management on the Group's operations and performance as well as the status of implementation of the Board's policies and decisions during the Board Meetings.</p> <p>Prior to a Meeting, a formal agenda and the relevant proposal papers together with supporting documents are provided to the Board members not less than five business days or a shorter period where deliberations involve price-sensitive information in accordance with the listing requirements, before the relevant Board and Board Committee meetings to ensure that they have sufficient time to peruse, deliberate, obtain additional information and/or seek further clarification on the matters to be tabled at the meetings.</p> <p>The Board meetings are chaired by a Non-Executive Chairman, who is responsible to ensure that each of the agenda is adequately reviewed and thoroughly deliberated within a reasonable time frame. The Board meetings' dates of the Company are planned ahead of schedule and a commitment is obtained from the Directors on their availability to attend the Board meetings.</p> <p>Where a director is directly or indirectly interested in any transaction entered into by the Company, he has a duty to make an immediate declaration to the Board and he is required to abstain from deliberations and decisions of the Board on the transaction.</p> <p>The Chairman shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Board. The minutes of the Board meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the</p>

	<p>facts thereon stated. Minutes of each Board meeting shall also be distributed to all members of the Board in a timely manner.</p> <p>All proceedings of the Board, including papers submitted and presentations made to the Board, shall be kept confidential and will not be disclosed or released to any person other than the Board members except as required by laws or as agreed by the Board.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	: Applied
Explanation on application of the practice	<p>Since February 2013, the Board has established a Board Charter which sets out the composition, roles and responsibilities of the Board, Board Committees, individual directors and Management.</p> <p>The Board Charter also outlines the processes and procedures for the Board and its Committees to be effective and efficient.</p> <p>The Board through the Nomination Committee had reviewed the Board Charter in August 2017 to ensure it remains relevant and consistent with the Board's objectives and responsibilities, and all relevant standards of corporate governance.</p> <p>The Board Charter affirms to the stakeholders that the Board has in place a formal schedule of matters reserved specifically for its decision as set out in the Authority Chart which is approved and periodically reviewed by the Board.</p> <p>The Authority Chart guides the Management, headed by the Executive Director, in the day-to-day running of the business.</p> <p>The Authority Chart sets out specific matters that require the approval of the Board namely, corporate and business continuity plans, annual budgets, acquisitions and disposal of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies and procedures.</p> <p>The Authority Chart also spells out the approving limits and the types of authority delegated by the Board to Senior Management who is responsible for the implementation of Board's policies and decisions.</p> <p>The Management establishes targets and milestones which are presented to and approved by the Board. These targets and milestones are monitored and reviewed regularly and responsibilities re-aligned when necessary to ensure the Group's needs are consistently met.</p>

	<p>The Board also maintains specific Board committees with clear responsibilities and terms of reference to assist the Board in carrying out its stewardship role and function, and fulfilling its fiduciary duties and responsibilities.</p> <p>The Board Charter is available on the Company's website at www.magnum.my.</p>			
Explanation for departure	:	<p>The Board did not appoint a Senior Independent Director (SID) as the Board is of the view that the SID's roles, as an intermediary for other directors when necessary and as the point of contact for stakeholders, can be undertaken by the Chairman of the Board. Any one of the Independent Directors can also act as a sounding board for the Chairman.</p>		
		<p>Thus, in the Board Charter, it was stated that the Board has identified the Chairman of the Board as the main contact person to whom any shareholders' concerns may be conveyed. The current Chairman is a Non-Independent Non-Executive Chairman.</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
Measure	:	The Board will, however, identify a Senior Independent Director if and when necessary.		
Timeframe	:	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">others</td> <td style="width: 50%;">anytime</td> </tr> </table>	others	anytime
others	anytime			

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>Since year 2012, the Board had adopted the Directors' Code of Business Conduct and Ethics which serves as a guide for the Board in discharging its oversight role effectively.</p> <p>The Code of Business Conduct and Ethics requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders at all times.</p> <p>The Board through the Nomination Committee had also reviewed the Directors' Code of Business Conduct and Ethics when they reviewed the Board Charter in August 2017 to ensure it remains relevant and consistent with the Board's objectives and responsibilities, and all relevant standards of corporate governance.</p> <p>The Directors' Code of Business Conduct and Ethics are available on the Company's website at www.magnum.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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 whistle blowing.

Application	:	Applied
Explanation on application of the practice	:	<p>As part of the Group's continuous efforts to ensure good corporate governance practices, the Group has established a Whistle Blowing Policy to provide a clear line of communication and reporting of concerns by employees at all levels in confidence and without the risk or fear of reprisal.</p> <p>This policy serves as a guide for employees to report or raise any genuine concerns about possible improprieties in matters of financial reporting, unethical behaviour, non-compliance with regulatory requirements and other malpractices.</p> <p>Each allegation will be dealt with fairly and equitably. Action will be taken based on the nature of the allegation and may be resolved by agreed action.</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 4.1

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

Application	:	Departure															
Explanation on application of the practice	:																
Explanation for departure	:	<p>Current status of Magnum Board composition is:-</p> <table border="1"><thead><tr><th>Designation of Director</th><th>Number of Directors</th><th>%</th></tr></thead><tbody><tr><td>Non-Independent Executive</td><td>1</td><td>16.67</td></tr><tr><td>Non-Independent Non-Executive</td><td>3</td><td>50.00</td></tr><tr><td>Independent Non-Executive</td><td>2</td><td>33.33</td></tr><tr><td>Total</td><td>6</td><td>100.00</td></tr></tbody></table> <p>The Board of Magnum continues to have a strong mix of experienced individuals as Directors with a majority of them are Non-Executive Directors. The Non-Executive Directors are not employees of the Company and they do not participate in the day to day management of the Company. Thus, they remain objective and independent minded when they participated in the deliberations and decision making of the Board. This ensures effective check and balance in the functioning of the Board.</p> <p>Should a Director be interested in any transaction to be entered into by the Company, the interested Director will abstain from deliberations and decisions of the Board on the transaction. Hence, the Directors have the ability to exercise their duties and make decisions which are in the best interest of the Company.</p> <p>The Board is of the opinion that there is no issue with regards to the balance of power and authority on the Board as the roles of the Non-Executive Chairman, Executive Director and Non-Executive Director are clearly set out, separated and established. The decision-making process of the Board is based on collective decisions without any individual exercising any considerable concentration of power or influence and well balanced by the presence of strong elements of independence with a large majority of Non-Executive Directors in the Board.</p>	Designation of Director	Number of Directors	%	Non-Independent Executive	1	16.67	Non-Independent Non-Executive	3	50.00	Independent Non-Executive	2	33.33	Total	6	100.00
Designation of Director	Number of Directors	%															
Non-Independent Executive	1	16.67															
Non-Independent Non-Executive	3	50.00															
Independent Non-Executive	2	33.33															
Total	6	100.00															
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																	

Measure	:	<p>The Board would take the necessary measures to increase the number of Independent Directors concurrently with increasing the number of women directors on the Board.</p> <p>The Board through the Nomination Committee would consider sources of recruitment such as recommendations from existing and former Directors and Management; professional bodies; and directors' recruitment agencies.</p>	
Timeframe	:	3 years	

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 - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>The Company's shareholders had, at the 41st Annual General Meeting held on 26 May 2017, approved the retention of Dato' Wong Puan Wah as an Independent Director.</p> <p>The Nomination Committee has determined at the assessment carried out on the Independent Directors, in particular Dato' Wong Puan Wah who had served as Independent Director for a cumulative period of eleven years as at 25 January 2018, that:-</p> <ul style="list-style-type: none">(a) he has no interest or ties in the Company that could adversely affect independent and objective judgement and place the interest of the Company above all other interest;(b) he has met the criteria for independence as set out in Chapter 1 of the MMLR;(c) he continues to remain objective and his length of service does not interfere with his exercise of independent judgement in expressing his views and in participating in deliberations and decision making of the Board and Board Committees in the best interest of the Company;(d) he exercises due care as Independent Director of the Company and carries out his professional and fiduciary duties in the best interest of the Company; and(e) he has devoted sufficient time and attention to his responsibilities as an Independent Director of the Company. <p>The Board is of the view that there are significant advantages to be gained from the long serving Directors who possess great insight and knowledge of the Company's affairs. The Board trusts that Dato' Wong can continue to act independently of management and that his independence has not been impaired.</p>

	<p>In line with Practice 4.2 of the MCGG, the Company will be seeking shareholders' approval at the forthcoming 2018 Annual General Meeting to allow Dato' Wong Puan Wah to continue to act as an Independent Director of the Company.</p> <p>Upon the consent of Dato' Wong, the Board therefore, recommends and supports the continuation in office of Dato' Wong Puan Wah as Independent Director of the Company.</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 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application :	Applied	
Explanation on application of the practice :	<p>Since November 2014, the Board has adopted a Board Diversity Policy which set out the approach to achieve boardroom diversity. This policy aspires to ensure the mix and profiles of the Board members from a number of aspects including but not limited to gender, age, ethnicity, background, skills, knowledge and length of service.</p> <p>The Board recognises diversity as an important criterion to determine board composition as it provides the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management of the Company and the Group.</p> <p>The Group adopts the 'Diversity, Inclusivity and Gender Policy' for its workplace to promote and incorporate diversity as an important criterion in its recruitment exercise.</p> <p>Nonetheless, the Group practises equal opportunity, and all appointment and employments are based on objectives criteria and merits.</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	:	<p>The Board believes that diversity, including the facet of gender enhances decision-making capability of the Group by bringing varying perspectives and better reflecting the realities of the society</p> <p>However, at present, the Board does not have any female Directors and has yet to formalise targets and measures on the aspect of gender diversity.</p> <p>Although the Board did not set any target for Board representation in its diversity policy, the Board will continue to take the necessary measures to gradually achieve at least 30% women Directors on the Board' in line with the policy pronouncement by the Government and the enumeration in MCCG.</p> <p>At present, avenues for inducting women Directors into the Board is rather limited due to the nature of the industry and the highly regulated environment in which the Group operates. Steps taken in the past to recruit women Directors have not been favourable.</p> <p>Notwithstanding the inherent constraints, the Group will recalibrate its approach in its regard to drive a more holistic sourcing approach. It should also be noted that the Group always practises equal opportunity, and all appointment and employment opportunities are based on objective criteria and meritocracy.</p> <p>On the Management front, the Board's commitment to promote the Group's 'Diversity, Inclusivity and Gender Policy' for the workplace is reflected in the Group's healthy employee gender profile as at 31 December 2017 of 46% female to 54% male employees, and the high percentages of female employees holding Management and Key Senior Management positions at 39% and 33% respectively.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<p>Measure</p>	<p>:</p>	<p>The Board will undertake to formalise targets on gender diversity and measures to meet those targets. The targets would incorporate specific quantitative benchmarks (e.g. percentage of women at the Board and Senior Management level) that can be monitored for effectiveness.</p> <p>In its effort to promote gender diversity in the boardroom, the Board through its Nomination Committee will undertake several concerted steps to ensure that independent women candidates are sought from various sources including professional bodies as part of its recruitment exercise. The Nomination Committee will also consider candidates recommended by the existing and former Board members or Management.</p>
<p>Timeframe</p>	<p>:</p>	<p>2 years</p>

Intended Outcome

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

Practice 4.6

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

Application	: Applied
Explanation on application of the practice	<p>Apart from recommendations by existing Board members, management or major shareholders, the Board through its Nomination Committee has also identified potential candidates from various sources including professional bodies as part of its recruitment of directors' exercise.</p> <p>However, the list of candidatures obtained from these external sources are limited due to the nature of the industry and the highly regulated environment in which the Group operates.</p> <p>Hence, the Company has directly approached individuals who would have the relevant work experience, competency and knowledge of the Group's businesses.</p> <p>During the year under review, the Company had on 22 August 2017 appointed Dato' Lim Tiong Chin as an Independent Non-Executive Director. He was a former Non-Independent Non-Executive Director of the Company from 30 April 2002 until 26 September 2013. He left the Company previously to devote his time to the affairs of the demerged entity, MPH B Capital Berhad.</p> <p>The Nomination Committee had reviewed the independence of Dato' Lim Tiong Chin during the year and had determined that:-</p> <ul style="list-style-type: none">(a) he has met the criteria for independence as set out in paragraph 1.01 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad;(b) he had affirmed that his directorships, interests and/or shareholdings in other corporations and his interest in other professions, trades or businesses, if any, do not and would not give rise to any conflict of interest situation with the business of the Company and its subsidiaries; and(c) he had affirmed that there was nothing material that interferes or would interfere with, or that affects or would affect, in any way his exercise of independent judgement, objectivity or his ability to act in the best interest of the Company.

	Dato' Lim further affirmed that he will devote sufficient time and attention to his responsibilities as an 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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Although the Chairman of the Nomination Committee is not an Independent Director nor a Senior Independent Non-Executive Director, the Board is of the view that the Nomination Committee is able to perform its duties transparently and independently.
	:	The Nomination Committee is currently chaired by a Non-Independent Non-Executive Director, Datuk Vijeyaratnam a/l V. Thamoatham Pillay, who has the work experience, knowledge and skill to: <ul style="list-style-type: none">▪ lead the succession planning and appointment of Board members including future Chairman and Chief Executive Officer; and▪ lead the annual review of board effectiveness and ensuring the performance of each individual director is independently assessed.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board would consider and nominate a suitable Independent Director to chair the Nomination Committee when the Board had increased the number of Independent Directors in the Board.
Timeframe	:	3 years

Intended Outcome

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

Practice 5.1

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

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

Application	: Applied		
Explanation on application of the practice	<p>The Nomination Committee has a formal assessment in place to assess the effectiveness of the Board as a whole, the performance of its Committees and the contribution of each Individual Director on an annual basis by way of a set of customised self-assessment questionnaires. The evaluation process is led by the Chairman of the Nomination Committee and supported by the Company Secretaries. All assessments and evaluations carried out by the Nomination Committee are properly documented.</p> <p>In line with Practice 5.1 of MCCG the Company had in February 2018 engaged an independent expert, KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG"), to facilitate objective, professional and candid Board Effectiveness Evaluation ("BEE") for assessment year 2017. The BEE exercise shall be facilitated by a professional, experienced and independent expert every three (3) years.</p> <p>The BEE was carried out by KPMG through directors' self-assessment and peer-review questionnaires, which are tailored-made and premised on qualitative and quantitative criteria. The assessment criteria are benchmarked against good governance practices prescribed by the regulators and best practices. Private interviews with selected Directors and review of the minutes of meetings held during the year 2017 were conducted to corroborate the assessment findings. KPMG also benchmarked the work carried out by the Board and its Committees during the year under review against its duties and responsibilities set out the Board Charter, the Terms of Reference of each Committee and other internal policy documents.</p> <p>The assessment on the Board, its Committees and individual directors including Independent Directors are based on specific criteria covering the following areas:-</p> <table border="1" data-bbox="547 1892 1390 2020"> <tr> <td data-bbox="547 1892 767 2020">Board</td> <td data-bbox="767 1892 1390 2020"> <ul style="list-style-type: none"> ▪ Board mix and composition ▪ Quality of information and decision-making ▪ Strategy and leadership </td> </tr> </table>	Board	<ul style="list-style-type: none"> ▪ Board mix and composition ▪ Quality of information and decision-making ▪ Strategy and leadership
Board	<ul style="list-style-type: none"> ▪ Board mix and composition ▪ Quality of information and decision-making ▪ Strategy and leadership 		

	<ul style="list-style-type: none"> ▪ Legal and regulatory requirements ▪ Corporate Governance, risk management and internal controls ▪ Accounting and financial reporting ▪ Industry experience ▪ Operations and quality management ▪ Information technology
Individual directors including Executive Director	<ul style="list-style-type: none"> ▪ Contribution and performance ▪ Caliber and personality ▪ Strategy and leadership ▪ Legal and regulatory requirements ▪ Corporate Governance, risk management and internal controls ▪ Accounting and financial reporting ▪ Industry experience ▪ Operations and quality management ▪ Information technology
Directors' Independence	<ul style="list-style-type: none"> ▪ Background ▪ Economic relationship ▪ Family relationship ▪ Tenure ▪ Qualitative assessment
Board Committees: Group Audit Committee;	<ul style="list-style-type: none"> ▪ Composition and governance ▪ Meeting administration and conduct ▪ Skills and competencies ▪ Oversight of financial reporting process including internal controls and audit function ▪ Disclosures
Other Board Committees namely, Nomination Committee; Remuneration Committee; and Group Risk Management Committee	<ul style="list-style-type: none"> ▪ Composition and governance ▪ Meeting administration and conduct ▪ Skills and competencies ▪ Duties and responsibilities in relation to the respective committee ▪ Disclosures
<p>The results of the BEE were tabled to the Nomination Committee. As assessed by KPMG, the identified key strengths and improvement opportunities are as follows:</p> <p>Strengths:</p> <ul style="list-style-type: none"> • The Board is able to demonstrate resilience in challenging situations; • The Board functions collegially in a democratic environment; • The Board plays a proactive role in strategy setting 	

	<p>and is highly engaged on business sustainability issues;</p> <ul style="list-style-type: none"> • Proceedings of the Board and Board Committees are regulated in a fairly orderly manner; and • Deliberations by the Group Audit Committee is robust, drawing multifaceted perspectives from members. <p>Improvement opportunities:</p> <ul style="list-style-type: none"> • Having a critical mass of Independent Directors would facilitate greater objectivity in the boardroom; • The Board may benefit from enhanced diversity, particularly on the facet of gender which would facilitate greater breadth and depth in perspectives during deliberations; and • Continuous professional development programmes can be more targeted and better linked to the outcome of the BEE. 	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Since December 2017, the Board had put in place a Remuneration Policy which guides the Group in formulating a fair and competitive remuneration needed to attract, retain, motivate and reward its Directors and Senior Management of high quality to manage the businesses of the Magnum Group successfully.</p> <p>The Executive Director's and Senior Management's remunerations are linked to the corporate and individual performance. The Executive Director of the Company who is also an employee within the Group is remunerated separately in accordance with his employment contract.</p> <p>All the Non-Executive Directors, except for those Non-Executive Directors who have waived their entitlements on their own accord, receive a standard fixed fee approved by shareholders at the Annual General Meeting.</p> <p>The directors' fees payable to the Non-Executive Directors are endorsed by the Board based on the recommendation of the Remuneration Committee and are tabled for approval by shareholders at the Annual General Meeting of the Company. Each individual Director abstains from the Board's decision on his own remuneration package.</p> <p>The quantum of the fixed fee takes into consideration the Directors' increased fiduciary duties and the level of responsibilities under the relevant regulatory requirements. Additional allowances are also paid to Independent Non-Executive Directors in accordance with the number of meetings attended during the year.</p> <p>This remuneration policy is subject to regular review by the Board through its Remuneration Committee and will be amended as appropriate to reflect the current best practices. The Remuneration Committee had reviewed and amended the policy in March 2018.</p>

	The Remuneration Policy is available on the Company's website at www.magnum.my .	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Remuneration Committee which is currently consists exclusively of Non-Executive Directors, the majority of whom are Independent. The members of the Remuneration Committee are:</p> <ul style="list-style-type: none">▪ Tan Sri Dato' Surin Upatkoon (Chairman / Non-Independent Non-Executive Director)▪ Dato' Wong Puan Wah (Member / Independent Non-Executive Director)▪ Dato' Lim Tiong Chin (Member / Independent Non-Executive Director) <p>The principal responsibilities of the Remuneration Committee include the formulation of a fair remuneration policy such as rewards and benefits and other terms of employment of the Executive Director as well as for the Key Senior Management.</p> <p>The Remuneration Committee reviews and ensures that the remuneration fairly reflects the responsibilities, the expertise required by the Group and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of the Group.</p> <p>The Remuneration Committee held two (2) meetings during the year 2017 with full attendance by its members.</p> <p>The Terms of Reference of the Remuneration Committee which spell out its authority and duties are available on the Company's website www.magnum.my</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

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 Company has disclosed on named basis the remuneration of individual directors in its 2017 Annual Report under the Corporate Governance Overview Statement. The breakdown of remuneration of individual directors includes fees, salary, bonus, benefit-in-kind and other emoluments.	
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	:	<p>The Remuneration Committee and the Board are of the view that:-</p> <ul style="list-style-type: none">(i) the disclosures of key management personnel's remuneration, which include the top five senior management's remuneration, in the Audited Financial Statement is adequate as it complies with the requirement of Paragraph 17 of the MFRS 124 - <i>Related Party Disclosures</i>; and(ii) the disclosures of senior management's remuneration on a named basis is not to the Group's advantage and will be detrimental to its commercial interest due to the small niche industry where the gaming specific talent pool is very limited especially at the senior levels of management. <p>The detailed remuneration of a Senior Management who is an Executive Director has been disclosed in the 2017 Annual Report.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board decided not to disclose.	
Timeframe	:	Others	Not disclosing.

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	:	<p>The Group Audit Committee ("GAC") is chaired by Dato' Wong Puan Wah, an Independent Non-Executive Director. He is not the Chairman of the board.</p> <p>Dato' Wong was elected as the GAC Chairman at a GAC Meeting held on 23 August 2017 to fill the vacancy arising from retirement of Dr David Charles Ian Harding at the Company's annual general meeting held on 26 May 2017. Dr Harding was an Independent Director and was not the Chairman of the Board during his tenure of office.</p> <p>The Group's financial reporting and internal control system are reviewed by the GAC which comprises three (3) Non-Executive Directors with a majority of two (2) Independent Directors. All GAC members are financially literate and have sufficient understanding of the Group's businesses.</p> <p>The GAC operates within its Terms of Reference which clearly define its functions and authority. The Terms of Reference of the GAC is available on the Company's website at www.magnum.my.</p> <p>The GAC meets not less than four (4) times a year and always before the Board Meeting to ensure that all critical issues highlighted by the internal and external auditors can be brought to the attention of the Board on a timely basis. The minutes of the GAC meetings are tabled at the Board Meeting for notation and action where appropriate.</p> <p>A summary of the activities of the GAC in the discharge of its functions and duties including how it has met its responsibilities for the financial year 2017 are set out in the Group Audit Committee Report in the 2017 Annual Report.</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 8.2

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	:	This policy has been incorporated into the Terms of Reference of the Group Audit Committee in March 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application :	Applied
Explanation on application of the practice :	<p>The Group Audit Committee is tasked with the authority from the Board to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of external auditors, Messrs. Ernst & Young ("EY").</p> <p>Though the declaration of independence, integrity and objectivity made by the external auditors in their status audit report for each financial year end would suffice to serve as a written assurance from the external auditors on their independence and integrity, the Group Audit Committee ensures that the independence and objectivity of the external auditors are not compromised by conducting annual assessment to review and monitor the suitability and independence of the external auditors. This assessment task forms part of the Group Audit Committee's function as set out in its Terms of Reference.</p> <p>Every first quarter of the year and before the Company's annual general meeting where the external auditors will retire unless re-appointed, the Group Audit Committee will conduct a review of the performance of the external auditors including assessment of their independence, objectivity and effectiveness, having regard to several factors including the qualification, experience and technical knowledge of the engagement partner and audit staff, the resources of the audit firm, their quality control processes and the level of non-audit services.</p> <p>Based on the results of the 2017 evaluation, the GAC is of the view that the provision of non-audit services by the external auditors did not impair the objectivity, judgement and independence of the external auditors. The GAC is satisfied with the external auditors' technical competency, audit independence and performance and, accordingly, had recommended the re-appointment of the external auditors for the ensuing financial year.</p>
Explanation for departure :	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied									
Explanation on application of the practice	:	<p>All Group Audit Committee members are financially literate and have sufficient understanding of the Group's businesses. Two (2) of the members namely, Datuk Vijeyaratnam a/l V. Thamoatham Pillay and Dato' Lim Tiong Chin are fellow members of the Institute of Chartered Accountants in England and Wales and members of the Malaysian Institute of Accountants.</p> <p>The Group Audit Committee is mindful of the need to continuously undertake professional development training to keep themselves abreast with the developments of the relevant accounting and auditing standards, practices and rules.</p> <p>The training programmes attended by the Group Audit Committee members during the year 2017 are tabulated below:</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Seminar/Workshop/Training Courses attended</th></tr></thead><tbody><tr><td>1</td><td>Dato' Wong Puan Wah</td><td><ul style="list-style-type: none">• 23 February 2017 : Companies Act vis-à-vis Malaysian Companies law• 17 July 2017 : Board Excellence : How to Engage and Enthuse Beyond Compliance with Sustainability?• 5 December 2017 : Leading Change @ The Brain (Thought Leadership Session For Directors)</td></tr><tr><td>2</td><td>Datuk Vijeyaratnam a/l V. Thamoatham Pillay</td><td><ul style="list-style-type: none">• 17 February 2017 : Sustainability Awareness• 21 February 2017 : The Companies Act 2016</td></tr></tbody></table>	No.	Name	Seminar/Workshop/Training Courses attended	1	Dato' Wong Puan Wah	<ul style="list-style-type: none">• 23 February 2017 : Companies Act vis-à-vis Malaysian Companies law• 17 July 2017 : Board Excellence : How to Engage and Enthuse Beyond Compliance with Sustainability?• 5 December 2017 : Leading Change @ The Brain (Thought Leadership Session For Directors)	2	Datuk Vijeyaratnam a/l V. Thamoatham Pillay	<ul style="list-style-type: none">• 17 February 2017 : Sustainability Awareness• 21 February 2017 : The Companies Act 2016
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2	Datuk Vijeyaratnam a/l V. Thamoatham Pillay	<ul style="list-style-type: none">• 17 February 2017 : Sustainability Awareness• 21 February 2017 : The Companies Act 2016									

	3	Dr David Charles Ian Harding (a)	<ul style="list-style-type: none"> 23 February 2017 : Companies Act vis-à-vis Malaysian Companies law
	4	Dato' Lim Tiong Chin (b)	<ul style="list-style-type: none"> 25 July 2017 : MFRS (9 and 17) Updates Training
<p>Notes: (a) Retired on 26 May 2017 (b) Appointed on 22 August 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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledge their responsibilities for an internal control system in the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed.</p> <p>The Group Risk Management Committee ("GRMC") assists the Board to oversee the risk management matters relating to the activities of the Group. The GRMC reviews the risk management framework and processes to ensure that they remain relevant for use, and monitors the effectiveness of risk treatment/mitigation action plans for the management and control of the key risks.</p> <p>The Group adopts the enterprise risk management framework ("ERM Framework") which is designed to manage risks in an integrated, systematic and consistent manner. The ERM Framework outlines the policy, risk governance structure, responsibilities and risk management process of the Group.</p> <p>In November 2013, its principal subsidiary Magnum Corporation Sdn. Bhd. ("MCSB") has been awarded with both the WLA-SCS & ISO27001 certifications and subsequently the re-certification was awarded in November 2016. This reaffirmed that MCSB has an Information Security Management System in place to ensure its information security risks are managed according to global standards.</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 9.2

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	<p>The Board's oversight, review and monitoring of the effectiveness of its risk management and internal controls are supported by Group Risk Management Committee ("GRMC") and Group Audit Committee ("GAC").</p> <p>GRMC oversees the implementation and operations of ERM Framework and risk culture within the Group. GRMC guides the implementation of risk management practices, processes and systems, and oversees all material risk exposures and risk decisions faced by the Group.</p> <p>GAC, through the assistance of Group Internal Audit ("GIA"), reviews and reports to the Board on the adequacy and effectiveness of the system of internal control, including financial, compliance, operational and information technology ("IT"). External Auditor also assesses the system of internal controls relevant to their audit procedures and reports to GAC on an exception basis. In assessing the effectiveness of internal controls, GAC ensures primarily that key objectives are met, material assets are properly safe guarded, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.</p> <p>In respect of the year ended 31 December 2017, the Board has received assurance from the Executive Director and Head of Finance that the Company's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. No significant areas of concern that might affect the financial, operational, compliance controls and risk management functions of the Group were identified.</p> <p>The Board had disclosed the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework in the Statement of Risk Management and Internal Control which is independently verified by the external auditors, in the Company's 2017 Annual Report.</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 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board had established a Risk Management Committee for the Magnum Group, which comprises a majority of independent directors, to oversee the Group's risk management framework and policies. The members of the Group Risk Management Committee are:</p> <ul style="list-style-type: none">▪ Dato' Lim Tiong Chin (Chairman / Independent Non-Executive Director)▪ Dato' Wong Puan Wah (Member / Independent Non-Executive Director)▪ Dato' Lawrence Lim Swee Lin (Member / Non-Independent Executive Director) <p>The principal responsibilities of the Group Risk Management Committee include the review of the adequacy of the Group's risk management policies and framework and ensuring that adequate infrastructure, resources and systems are in place for risk management in the Group.</p> <p>The Group Risk Management Committee held two (2) meetings during the year 2017 with full attendance by its members.</p> <p>The Terms of Reference of the Group Risk Management Committee which spell out its authority and duties are available on the Company's website www.magnum.my</p>

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 internal audit function of the Group is outsourced to MPH B Capital Berhad's Group Internal Audit ("GIA") Department, which reports directly to the Group Audit Committee ("GAC"), undertakes independent reviews or assessments of the Group's operations and its system of internal controls and provides monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Group. The internal auditors adhere to the standards of best professional practice, such as those published by the Institute of Internal Auditors and the relevant guidelines and recommendations from the relevant authorities.</p> <p>The GIA conducts its audit reviews based on an annual audit plan that has been approved by the GAC. The frequency of audit on each business or operational units was determined by the level of risk assessed and greater focus is set for higher risk areas. All audit reports detailing the audit findings and recommendations are provided to Management who would respond on the actions to be taken. The GIA would submit to the GAC the reports on key audit findings and actions taken by the Management as well as status on audit activities.</p> <p>The summaries of activities of the internal audit function during the financial year are set out in the Group Audit Committee Report.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>As guided by the Internal Audit Charter, which was approved by the GAC on 24 April 2014, GIA must be independent of the activities and processes, which it appraises to ensure it is able to perform its duties in an objective manner and provide impartial advice to the GAC. The internal auditors are free from any relationships or conflict of interest or undue influence of others to override professional and business judgment, which could impair their objectivity and independence. The independence of the internal audit function is derived from its direct reporting and unencumbered access to the GAC.</p> <p>The internal audit function is supported by five (5) internal auditors, including the Head of GIA. The Head of GIA, Ms. Lim Gaik Leng, is a holder of a Bachelor's Degree in Accounting from the University Putra Malaysia. She is a Chartered Accountant of the Malaysian Institute of Accountants with more than 17 years internal audit experience. To ensure that the internal audits are effectively performed, GIA recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are also given relevant training and development opportunities to update their technical knowledge and auditing skills.</p> <p>The GIA's activities are guided by the International Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors and incorporated these standards into its audit practices. GAC is satisfied that the internal audit function is adequately resourced to perform its functions, is independent and has appropriate standing to perform its functions effectively.</p>
Explanation for departure	:	

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

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 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of timely and equal dissemination of clear, relevant and comprehensive information on major developments of the Group to shareholders and investors, which is carried out by means of various disclosures, press releases and announcements to the stock exchange, taking into consideration the legal and regulatory framework governing the release of material and price-sensitive information.</p> <p>The Group's performance is reported quarterly to the stock exchange and on a yearly basis, the Annual Report is an important channel used by the Company to provide its shareholders and investors with information on its business, financial performance and other key activities.</p> <p>The Company has, from time to time, held meetings and dialogues with investors and research or investment analysts to convey information regarding the Group's progress, performance and business strategies. Press interviews were also conducted on significant corporate developments to keep the investing community and shareholders updated on any major developments of the business of the Group.</p> <p>In addition, the Group maintains a website at www.magnum.my which is updated from time to time to provide shareholders and members of the public the current information and events relating to the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is working towards full application of the practices prescribed in the Malaysian Code on Corporate Governance published by the Securities Commission Malaysia in April 2017.	
		Efforts have been put in place to enhance the disclosures in the Company's annual report towards adopting the integrated reporting framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company will keep itself abreast with the latest developments in integrated reporting requirements.	
Timeframe	:	3 years	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The notice of the 42nd annual general meeting (AGM) of the Company is dated 30 April 2018 which is at least 28 clear days' notice for holding the Company's AGM on 30 May 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has in March 2018 adopted a policy that requires all directors and senior management to attend general meetings of the Company to respond to questions raised during the Company's general meetings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's 41st annual general meeting on 26 May 2017 was held at Flamingo Hotel by the Lake, Ampang, Selangor which is located less than 10KM from the Kuala Lumpur city centre, and not a remote location. This venue is accessible by car and public transportations.</p> <p>In compliance with the listing requirements, all motions put forth for shareholders' approval at the Annual General Meeting are to be voted by poll. At the Company's 41st Annual General Meeting held on 26 May 2017, the Company had successfully conducted secured electronic poll voting.</p> <p>The Company will continue to explore and take leverage of the technology to enhance the quality of engagement with its shareholders and to facilitate further participation by shareholders at the Company's general meetings.</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	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK
NEGARA MALAYSIA**

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

Not applicable to Magnum Berhad.
