

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of Magnum Berhad (“Company” or “Magnum”) remains fully committed to ensure that a high standard of corporate governance is practised in all areas of its activities throughout the Company and its subsidiaries (collectively “Group”) with integrity, transparency and professionalism to safeguard the interest of all stakeholders and enhance shareholders’ value as well as for long-term sustainability and growth.

The Board is mindful of the need to regularly review the Group’s corporate governance practices against the principles and recommendations in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) with the view of ensuring that they remain relevant in meeting with the challenges of its business environment.

This statement outlines the manner in which the Group has applied the principles and recommendations set out in MCCG 2012 during the financial year ended 31 December 2016.

## 1. ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Board Roles and Responsibilities

The Board as a whole is explicitly responsible for the stewardship of the Company and in discharging its obligations. The Board assumes, among others, the following duties and responsibilities:-

- (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 sustainability;
- (c) Overseeing the conduct and performance of the Group’s businesses to evaluate whether the businesses are properly managed. This includes ensuring that 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 programme or shareholders’ communications policy for the Group;
- (g) Reviewing the adequacy and the integrity of the Group’s internal control systems and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (h) Overseeing the operations of the Group’s Enterprise Risk Management Framework, assessing its effectiveness and reviewing any major/significant risk facing the Group;
- (i) Review and support the World Lottery Association’s Responsible Gaming Framework established to ensure compliance to a comprehensive set of standards related to social responsibility; and
- (j) Review and ensure Management compliance to the World Lottery Association’s Security Control Standards which includes the Information Security Management System Standard ISO/IEC 27001:2013.

### 1.2 Division of roles and responsibilities of the Board members

The roles and responsibilities of the Chairman, the Executive Director and the Non-Executive Directors are clearly segregated, each having separate responsibilities and authority.

The Chairman of the Board provides overall leadership to the Board in decision making and is primarily responsible for the orderly conduct and working of the Board.

The Executive Director is responsible for the day-to-day running of the business and implementation of Board’s policies and decisions.

# Corporate Governance Statement (cont'd)

The Non-Executive Directors play the key supporting role in contributing their knowledge and experience in the decision making process and towards the formulation of the Company's goals and policies.

The Independent Directors are independent of Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. 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.

## 1.3 Clear functions for the Board and Management

The Board has a formal schedule of matters reserved specifically for its decision (as set out in the Authority Chart) which includes the approval of 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, procedures and authority limits.

The Authority Chart guides the Management, headed by the Executive Director, in the day-to-day running of the business. 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.

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.

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.

## 1.4 Board Charter and Directors' Code of Business Conduct and Ethics

Since February 2013, the Board has established a Board Charter which sets out the composition, roles and responsibilities of the Board. The Board Charter also outlines the processes and procedures for the Board and its Committees to be effective and efficient. The Board through the Nomination Committee will regularly review the Board Charter to ensure it remains relevant and consistent with the Board's objectives and responsibilities, and all the relevant standards of corporate governance. The Board Charter was last reviewed in November 2016.

The Board has also adopted the Directors' Code of Business Conduct and Ethics which serves as a guide for the Board in discharging its oversight role effectively. 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.

The details of the Board Charter and the Directors' Code of Business Conduct and Ethics are available on the Company's website at [www.magnum.com.my](http://www.magnum.com.my).

# Corporate Governance Statement (cont'd)

## **1.5 Strategies promoting Sustainability**

The Board is aware of the importance of business sustainability and ethical practices. The Board continuously instils the need to cultivate and promote good corporate values throughout the Group by upholding the value of 'Tone at the top'.

The Board also ensures that there is a plan for promoting sustainability embedded in the development of the Group's strategies, taking into account the economic, environmental, social and governance aspects of its business operations. These strategies seek to meet the expectations of stakeholders such as customers, shareholders, regulators, bankers and the communities in which the Group operates.

A summary of the Group's management of material economic, environmental and social risks and opportunities is provided in the Sustainability Statement of this Annual Report.

## **1.6 Supply of Information to the Board**

The Board recognizes 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.

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.

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 two days 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.

The Board has direct access to Senior Management staff and has full and unrestricted access to all information pertaining to the Group's businesses and affairs, whether as a full Board or in their individual capacity. The Directors may, if necessary, obtain independent professional advice in the furtherance of their duties from external consultants at the Company's expense.

## **1.7 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.

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.

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.

The Company Secretaries also serve notice to the Directors and principal officers to notify them of the closed periods for dealings in the Company's shares pursuant to the provisions under Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"). In addition, they work closely with Management to facilitate the flow of timely and accurate information to the Board.

# Corporate Governance Statement (cont'd)

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.

The Board is satisfied with the support and performance provided by the Company Secretaries in assisting the Board to discharge its duties.

## 2. STRENGTHEN COMPOSITION

### 2.1 Board Composition

The Board currently has six(6) members, comprising a Non-Executive Chairman, an Executive Director and four(4) Non-Executive Directors, of whom two(2) are Independent Directors. The composition of two(2) Independent Non-Executive Directors meets the one-third requirement for Independent Non-Executive Directors under the MMLR.

The Board comprises individuals of high calibre and integrity, and they possess a diverse range of backgrounds, skills and expertise in the areas of gaming, business management, corporate affairs, finance and accounting, investment banking, management consulting, private equity management, corporate communication and journalism, all which complement each other. The composition of the Board remains adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of Executive, Independent and Non-Independent Directors. A brief profile of each Director is set out in this Annual Report.

### 2.2 Board Diversity Policy

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, provide the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management of the Company and the Group.

However, the Board does not consider it appropriate at this time to set quotas for Board representation but, will monitor developments in best practice.

Presently, the Board does not have any female Directors. In its effort to promote gender diversity in the boardroom, the Board through its Nomination Committee has taken various steps to ensure that women candidates are sought from various sources including professional bodies as part of its recruitment exercise. Nonetheless, the Group practises equal opportunity, and all appointment and employments are based on merits.

On the Management front, the Board's commitment to promote the Group's 'Diversity, Inclusive and Gender Policy' for the workplace is reflected in the Group's healthy employee gender profile as at 31 December 2016 of 46% female to 54% male employees, and the high percentages of female employees holding Management and Key Senior Management positions at 42% and 33% respectively.

# Corporate Governance Statement (cont'd)

## 2.3 Board Committees

The Board has delegated certain functions to the Committees it established to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority. The terms of reference of all the Board Committees are available on the Company's website at [www.magnum.com.my](http://www.magnum.com.my).

Although specific authority are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairman of the Board Committee and the tabling of minutes of the Board Committee meetings at Board meetings. The various Board Committees, their compositions, and the number of meetings held and attended by each Committee member during the year 2016 are summarised as follows:-

### (a) Nomination Committee

The Nomination Committee currently consists exclusively of the following Non-Executive Directors, the majority of whom are Independent:-

	No. of meetings attended/held	%
<b>Chairman</b> Datuk Vijeyaratnam a/l V. Thamothearam Pillay (Non-Independent Non-Executive Director)	2/2	100
<b>Members</b> Dato' Wong Puan Wah (Independent Non-Executive Director)	2/2	100
Dr David Charles Ian Harding (Independent Non-Executive Director)	2/2	100

The key responsibilities of the Nomination Committee are as follows:-

- Identify and recommend new nominees to the Board and Committees of the Board of the Company and its subsidiary companies;
- Assist the Board to systematically assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each Individual Director on an annual basis; and.
- Assist the Board in reviewing its required mix of skills and experience and other qualities which non-executive Directors should bring to the Board.

The main activities of the Nomination Committee during the financial year under review are summarised as follows:-

- assessed the performance of individual Directors and the Board as a whole as part of the annual assessment which covered effectiveness of the Board, its Committees and the contributions of each Individual Directors;
- reviewed the overall composition of the Board in terms of its appropriate size and diversity in knowledge, skills, experience, core competencies, gender, age, ethnicity and background, and the balance between the numbers of Executive, Non-Executive and Independent Directors;

# Corporate Governance Statement (cont'd)

- assessed the independence of Independent Directors;
- reviewed and recommended to the Board the retention of an Independent Director, Dato' Wong Puan Wah, who has served a consecutive or cumulative term of nine(9) years to continue to serve as the Company's Independent Director subject to shareholders' approval;
- determined those Directors who would retire by rotation at the forthcoming Annual General Meeting based on the Company's Constitution and had made the necessary recommendations to the Board for their re-election and re-appointment;
- reviewed the assessment criteria and adopted the amended self-assessment forms;
- reviewed the Board Charter together with the Directors' Code of Business Conduct and Ethics; and
- assessed the training needs for the Directors.

The Nomination Committee held two(2) meetings during the year 2016. Although the Chairman of the Nomination Committee is not 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.

## (b) Remuneration Committee

The Remuneration Committee currently consists of the following Directors, the majority of whom are Non-Executive Directors:-

	No. of meetings attended/held	%
<ul style="list-style-type: none"> <li>• <b>Chairman</b> Tan Sri Dato' Surin Upatkoon (Non-Independent Non-Executive Director)</li> </ul>	2/2	100
<ul style="list-style-type: none"> <li>• <b>Members</b> Dato' Wong Puan Wah (Independent Non-Executive Director)</li> </ul>	2/2	100
<ul style="list-style-type: none"> <li>• Dato' Lawrence Lim Swee Lin (Executive Director)</li> </ul>	2/2	100

The 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. 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. The Remuneration Committee held two(2) meetings during the year 2016.

# Corporate Governance Statement (cont'd)

## (c) Group Audit Committee

The Group Audit Committee currently consists exclusively of the following Non-Executive Directors, the majority of whom are Independent:-

	No. of meetings attended/held	%
<b>Chairman</b>		
Dr David Charles Ian Harding (Independent Non-Executive Director)	5/5	100
<b>Members</b>		
Dato' Wong Puan Wah (Independent Non-Executive Director)	5/5	100
Datuk Vijeyaratnam a/l V. Thamothearam Pillay (Non-Independent Non-Executive Director)	5/5	100

The Group Audit Committee reviews the Group's financial reporting process, the system of internal control, the audit process and the Group's process for monitoring compliance with laws and regulations, and such other matters which may be delegated by the Board from time to time. The Group Audit Committee held five(5) meetings during the year 2016.

## (d) Group Risk Management Committee

The Group Risk Management Committee currently consists of the following Directors, the majority of whom are Independent Non-Executive Directors:-

	No. of meetings attended/held	%
<b>Chairman</b>		
Dato' Wong Puan Wah (Independent Non-Executive Director)	2/2	100
<b>Members</b>		
Datuk Vijeyaratnam a/l V. Thamothearam Pillay (Non-Independent Non-Executive Director)	1/2	50
Dr David Charles Ian Harding (Independent Non-Executive Director)	2/2	100

The 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. The Group Risk Management Committee held two(2) meetings during the year 2016.

# Corporate Governance Statement (cont'd)

## 2.4 Appointment to the Board

The Nomination Committee oversees the overall composition of the Board in terms of the appropriate size, balance between the numbers of Executive, Non-Executive and Independent Directors, and a wide mix of various elements required to be appointed as Directors of the Company in accordance with the MMLR.

In respect of the appointment of Directors, the Nomination Committee practices a clear and transparent nomination process which involves the following:-

Stage 1 : Identification of candidates

Stage 2 : Meeting up the candidates

Stage 3 : Evaluation of suitability of candidates

Stage 4 : Final deliberation by the Nomination Committee

Stage 5 : Recommendation to the Board

The Nomination Committee considers, among others, the following aspects in making the selection of candidates to be appointed as Director:-

- (a) the person must have the key qualities such as honesty and integrity;
- (b) the person must have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfills the role and responsibilities of the position; and
- (c) the person must manage his debts and financial affairs prudently.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and the overall effectiveness of the Board, taking into account the nature of the industry and the highly regulated environment in which the Group operates.

The proposed appointment of a new Director to the Board will be approved by the full Board based on the recommendation of the Nomination Committee. During the year 2016, no new Directors were appointed to the Board.

## 2.5 Annual Assessment of Board, its Committee and Individual Directors

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 customized 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.

The assessment of the Board is based on specific criteria, covering areas such as board conduct, board processes, board accountability, board governance, succession planning and interaction with Management and Stakeholders.

Each Board Committee is assessed based on the extent to which it had discharged its roles and functions set out in its terms of reference and each Committee Member's contribution to interaction, discussion and participation in the Committee's activities.

For individual self-assessment, the assessment criteria include integrity, commitment, leadership, knowledge and communication ability.

The criteria for assessing the Independent Directors include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

# Corporate Governance Statement (cont'd)

## 2.6 Remuneration of Directors

The objective of the Board in determining the Director's remuneration is that the levels of remuneration must be sufficient to attract, retain and motivate the Director to manage the business of the Group successfully.

The Executive Director's remuneration is 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.

All the Non-Executive Directors, except for those Non-Executive Directors who had waived their entitlements on their own accord, receive a standard fixed fee approved by shareholders at the Annual General Meeting. 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. 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.

The Company reimburses reasonable expenses incurred by the Non-Executive Directors in the course of carrying out their duties.

The details on the aggregate remuneration of Directors of the Company, distinguishing between Executive and Non-Executive Directors, during the financial year ended 31 December 2016 are as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
<b>Company</b>			
Directors' Fees	-	270,000	270,000
Meeting Allowance	-	15,000	15,000
Salaries	-	-	-
Bonuses and Other Emoluments	-	-	-
Commission	-	-	-
Compensation for loss of office	-	-	-
Benefits-in-kind based on estimated money value	-	22,004	22,004
Subtotal	-	307,004	307,004
<b>Subsidiaries</b>			
Directors' Fees	50,000	50,000	100,000
Meeting Allowance	-	-	-
Salaries	1,162,942	-	1,162,942
Bonuses and Other Emoluments	387,532	-	387,532
Commission	-	-	-
Compensation for loss of office	-	-	-
Benefits-in-kind based on estimated money value	10,625	-	10,625
<b>Total (Group)</b>	<b>1,611,099</b>	<b>357,004</b>	<b>1,968,103</b>

# Corporate Governance Statement (cont'd)

The number of Directors whose total remuneration falls into each successive bands of RM50,000 during the financial year ended 31 December 2016 are as follows:-

Range of Remuneration	Number of Director		Total
	Executive	Non-Executive	
<b>Company</b>			
RM0 - RM50,000	-	1	1
RM50,001 - RM100,000	-	2	2
RM100,001 - RM150,000	-	1	1
Subtotal	-	4	4
<b>Subsidiaries</b>			
RM0 - RM50,000	-	1	1
RM1,600,001 - RM1,650,000	1	-	1
<b>Total (Group)</b>	<b>1</b>	<b>5</b>	<b>6</b>

### 3. REINFORCE INDEPENDENCE

#### 3.1 Board Balance

As the Board comprises five(5) Non-Executive Directors, two(2) of whom are Independent Directors, Board's decisions reflect the collective will of the Board and not the views of an individual or group. The Board is satisfied that the current composition of Directors provides the appropriate balance and size necessary to promote all shareholders' interests and to govern the Group effectively.

The Board is mindful of Recommendation 3.5 of the MCCG 2012 which recommends that if the Chairman is not an Independent Director, the Board must be comprised of a majority of Independent Directors.

Notwithstanding this, 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 and Executive Director are set out and established while 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 in the Board.

#### 3.2 Re-election of Directors

The Constitution of the Company provides that all Directors shall retire from office at least once every three (3) years and that at every Annual General Meeting, at least one-third of the Board for the time being shall retire from office and shall be eligible for re-election. The Constitution further provides that those Directors appointed during the financial year shall retire from office and they may offer themselves for re-election.

The process of re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board. The election of each Director is voted on separately by the shareholders at the Annual General Meeting.

# Corporate Governance Statement (cont'd)

Retiring Directors who are seeking re-elections are subject to Directors' assessment overseen by the Nomination Committee. Upon the recommendation of the Nomination Committee, the Directors, Datuk Vijeyaratnam a/I V. Thamotheeram Pillay and Dr David Charles Ian Harding who are due to retire by rotation at the forthcoming Annual General Meeting be eligible to stand for re-election.

Datuk Vijeyaratnam, being eligible, had offered himself for re-election as a Non-Independent Non-Executive Director while, Dr Harding, due to his other commitments, had in his letter, which was received by the Company on 23 February 2017, indicated that he does not wish to offer himself for re-election as an Independent Director and would retire at the forthcoming Annual General Meeting.

### 3.3 Board Independence

The Board comprises only one Executive Director and five Non-Executive Directors whereby one third are Independent 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. 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.

### 3.4 Tenure of Independent Directors

The Board is mindful of the recommendation of the MCCG 2012 on limiting the tenure of Independent Directors to nine (9) years of service. Each of the two (2) Independent Directors of the Company has provided an annual confirmation of his independence to the Nomination Committee.

The Company's shareholders had, at the 40th Annual General Meeting held on 8 June 2016, approved the retention of Dato' Wong Puan Wah as an Independent Director.

The Nomination Committee has determined at the assessment carried out on the Independent Directors, in particular Dato' Wong Puan Wah who will have served as Independent Director for a cumulative period of ten years as at 25 January 2017, that:-

- (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 profession 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.

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.

In line with the recommendation of the MCCG 2012, the Company will be seeking shareholders' approval at the forthcoming Annual General Meeting to allow Dato' Wong Puan Wah to continue to act as an Independent Director of the Company.

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.

# Corporate Governance Statement (cont'd)

## 4. FOSTER COMMITMENT

### 4.1 Directors' time commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities. This is evidenced by their attendance record of the Directors at Board's and various Board Committees' meetings held during the year. The attendance of each Director at Board meetings, where a total of five (5) meetings were held during the financial year ended 31 December 2016, are as set out below:-

Name of Director	Number of Board Meetings		%
	Attended	Held	
Tan Sri Dato' Surin Upatkoon	4	5	80
Dato' Lawrence Lim Swee Lin	5	5	100
Datuk Vijeyaratnam a/l. V. Thamothersam Pillay	5	5	100
Dato' Wong Puan Wah	5	5	100
Sigit Prasetya	4	5	80
Dr David Charles Ian Harding	5	5	100

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. All Directors of the Company in office have complied with the minimum requirement to attend 50% of the Board meetings held as provided in the Constitution of the Company.

All members of the Board are required to comply with the provision in the MMLR, which stipulate that each member shall not hold more than five(5) directorships in public listed companies to ensure that their commitment, resources and time are more focused to enable them to discharge their duties effectively. Further, in line with the recommendations of MCGG 2012, Directors shall notify the Chairman before accepting any new directorship. The notification should include an indication of time that will be spent on the new appointment.

### 4.2 Directors' Training

The Board places the responsibility for training of directors on the Nomination Committee which on a yearly basis, evaluates and determines the training needs of Directors.

# Corporate Governance Statement (cont'd)

During the year, all the Directors in office were periodically updated on new regulations and statutory requirements, particularly on changes or amendments made to the MMLR. Besides these periodical updates, the Directors have attended the following training programmes during the financial year ended 31 December 2016:-

<b>Name of Director</b>	<b>Seminar/Workshop/Training Courses attended</b>
Tan Sri Dato' Surin Upatkoon	<ul style="list-style-type: none"><li>7-10 March 2016 : FIDE Core Programme (Module A – Insurance)</li></ul>
Dato' Lawrence Lim Swee Lin	<ul style="list-style-type: none"><li>31 March 2016 : Sustainability Engagement Series – Programme customized for Directors</li><li>26 May 2016 : Sustainability : Perspective, Benefits and Reporting Imperative</li></ul>
Datuk Vijeyaratnam a/l V. Thamotheeram Pillay	<ul style="list-style-type: none"><li>31 March 2016 : Sustainability Engagement Series – Programme customized for Directors</li></ul>
Dato' Wong Puan Wah	<ul style="list-style-type: none"><li>13 January 2016 : The New Auditor's Report – Sharing the UK Experience</li><li>25 March 2016 : Leading from the Future – How to make wise decisions</li><li>26 May 2016 : Sustainability : Perspective, Benefits and Reporting Imperative</li></ul>
Sigit Prasetya	<ul style="list-style-type: none"><li>26 May 2016 : Sustainability : Perspective, Benefits and Reporting Imperative</li></ul>
Dr David Charles Ian Harding	<ul style="list-style-type: none"><li>31 March 2016 : Sustainability Engagement Series – Programme customized for Directors</li><li>26 May 2016 : Sustainability : Perspective, Benefits and Reporting Imperative</li></ul>

All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) in compliance with the MMLR.

The Board is mindful of the need to keep abreast with changes in both regulatory and business environments as well as with new developments within the industry in which the Group operates. The Directors will continue to undergo other relevant training programmes to upgrade themselves to effectively discharge their duties as Directors.

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Financial Reporting

The Board is responsible for the quality and completeness of publicly disclosed financial reports. In presenting the annual financial statements and quarterly results announcement of the Group, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board is assisted by the Group Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting to ensure that information to be disclosed are accurate, adequate and in compliance with relevant disclosure requirements.

The Directors' Responsibility Statement in respect of the preparation of the annual audited financial statements of the Company and the Group is set out below.

# Corporate Governance Statement (cont'd)

## **DIRECTORS' RESPONSIBILITY STATEMENT**

*The Directors are required by law to prepare financial statements for each financial year which have been drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

*It is the responsibility of the Directors to ensure that the financial statements for each financial year present a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.*

*In preparing the financial statements for the year ended 31 December 2016, the Directors have:*

- *adopted and applied appropriate and relevant accounting policies consistently;*
- *made judgements and estimates that are reasonable and prudent; and*
- *prepared financial statements on a going concern basis.*

*The Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.*

*The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.*

## **5.2 Whistle Blowing Policy**

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 of reprisal. 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.

## **5.3 Relationship with the Auditors**

The Board maintains a transparent and professional relationship with the Company's auditors, both internal and external, through the Group Audit Committee.

The Group Audit Committee has been explicitly accorded the power to communicate directly with both the internal and external auditors. The external auditors, Messrs. Ernst & Young ("EY"), are invited to attend the Group Audit Committee meetings at least twice a year to review the audit process and to discuss the Company's annual financial statements, the audit findings, the audit plan as well as problems and reservations arising from the final audit. The Group Audit Committee also meets with the external auditors whenever it deems necessary.

In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions relating to the conduct of the statutory audit and the preparation and contents of their audit report. The external auditors will report to the Group Audit Committee and the Management on any weaknesses in the internal control systems and any non-compliance of accounting standards that come to their attention in the course of their audit.

# Corporate Governance Statement (cont'd)

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. 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.

The Group Audit Committee is satisfied with EY's performance, technical competency and audit independence and accordingly, has recommended their re-appointment as the Company's external auditors for the financial year ending 31 December 2017.

## **6. RECOGNISE AND MANAGE RISKS**

### **6.1 Risk Management and Internal Controls**

The Board has the overall responsibility for ensuring the implementation of risk management system to identify, assess and monitor principal risks faced by the Group as well as maintaining a system of internal controls that provide reasonable assurance of effective and efficient operations and compliance with internal procedures, guidelines, laws and regulations.

The Group Risk Management Committee reviews the adequacy of the Group's risk management policies and framework and ensures that adequate infrastructure, resources and systems are in place for effective risk management of the Group.

### **6.2 Internal Audit Function**

The internal audit function of the Group is outsourced to MPH Capital Berhad's Group Internal Audit ("GIA") Department, which reports to the Group Audit Committee ("GAC"). GIA 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.

The GIA conducts its audit reviews based on approved internal audit plans. 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.

The overview of the state of internal control and risk management within the Group is set out in the Statement on Risk Management and Internal Control in this Annual Report.

# Corporate Governance Statement (cont'd)

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Board acknowledges the importance of ensuring that it has in place, appropriate corporate disclosure policies and procedures which leverages on information technology as recommended by the MCGG 2012.

The Board has established an internal Corporate Disclosure Policy to facilitate the handling and disclosure of material information in compliance with the provisions of the MMLR. It also serves as a guide to enhance the awareness among employees of the Company's disclosure requirements and practices. Clear roles and responsibilities of Directors, Management and Employees are provided together with levels of authority to be accorded to designated persons in the handling and disclosure of material information. It also sets out the measures to be taken by the Company to ensure proper handling of confidential information by Directors, employees and relevant parties to avoid leakage and improper use of such information.

### 7.2 Procedural Manual For Related Party Transactions

Since May 2011, the Group has in place a Procedural Manual For Related Party Transactions to ensure related party transactions within the Group are being carried out fairly and are not detrimental to the interest of minority holders of the Company.

The Board through the Group Audit Committee also reviews any related party transactions and every half-yearly, reviews the recurrent related party transactions at its quarterly meeting to ensure that these transactions were made at arm's length and on normal commercial terms which are generally available to the public or on terms and conditions negotiated between the Group and the related parties, in either case, these transactions are not detrimental to any shareholders.

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders. At every Annual General Meeting, shareholders are given both the opportunity and time to raise questions pertaining to issues in the Annual Report, resolutions being proposed and the Group's operations and performance. Board members, Senior Management, the external auditors and relevant advisors are on hand to answer questions raised and give clarifications as required.

The Company sends out the Notice of the Annual General Meeting and related papers to shareholders at least twenty one days before the meeting. Each item of special business included in the Notice of the Annual General Meeting is accompanied by a full explanation of the effects of the proposed resolution to facilitate full understanding and evaluation of the issues involved.

In compliance with the MMLR, all motions put forth for shareholders' approval at the forthcoming Annual General Meeting are to be voted by poll. The detailed results of the voting in terms of the number of votes and percentages for and against each resolution transacted at the meeting will be announced to the stock exchange.

# Corporate Governance Statement (cont'd)

## **8.2 Communication with Shareholders and Investors**

The Board recognizes the importance of timely and equal dissemination of 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. 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.

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.

In addition, the Group maintains a website at [www.magnum.com.my](http://www.magnum.com.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.

## **COMPLIANCE STATEMENT**

The Board understands that good corporate governance is beyond the minimum prescribed by the regulators. It upholds its commitment to cultivate a good corporate governance culture within the Group and strive to continuously improve and strengthen its corporate governance framework. The Board is satisfied that the Company has substantially complied with the principles and recommendations of the MCCG 2012 during the year 2016.

This Statement of Corporate Governance was approved by the Board on 31 March 2017.