

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5210  
**COMPANY NAME** : Bumi Armada 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 CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The duties and responsibilities of the Board of Directors ("Board") are stated in its terms of reference ("TOR") and Board Charter which includes setting the Company's strategic goals, ensuring the necessary financial and resources are in place for the Company to meet its goals, setting the Company's values and standards, and ensuring the obligations to shareholders and other stakeholders are understood and met. The duties of the Board are further outlined in the Board Charter posted on the Company's website under the <a href="#">Corporate Governance section</a>.</p> <p>During the financial year 2017 ("FY2017"), the Board met 13 times which included a 2-day meeting focussed on strategy. There were 6 scheduled meetings and the remaining meetings were ad hoc meetings convened by the Board to deliberate on matters requiring the Board's urgent decisions.</p> <p>The Board had also conducted a vessel visit to Labuan in March 2017 to have a closer view on the issues faced by the OSV business unit.</p> <p>The Board had deliberated on key issues pursuant to its TOR and Board Charter, which are stated in the 2017 Annual Report on pages 60 and 61.</p>
<b>Explanation for departure</b>	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Chairman's role includes:</p> <ul style="list-style-type: none"><li>• providing leadership at the Board level in ensuring the Board is able to effectively discharge its responsibilities;</li><li>• setting the tone for the Board discussions and deliberations with a view to promoting effective decision-making by encouraging active participation and dissenting views to be freely expressed. He also ensures Board decisions are made on a sound and well-informed basis;</li><li>• setting the tone for the Company's values and standards to ensure the obligations to its shareholders and other stakeholders are understood and met;</li><li>• together with the Board, reviewing the organisational structure including the composition of Board Committees to ascertain if it serves the needs of the Company and Board;</li><li>• setting the Board agenda with input and advice from the Chief Executive Officer ("CEO") (with primary focus on strategy, value creation, governance and accountability) and the Company Secretaries and ensuring timely flow of high quality supporting information;</li><li>• working together with the Board and based on the work of the Board Committees, determine the nature and extent of risk appetite of the Group;</li><li>• working with the Board in ensuring there is a proper selection, assessment and training programmes for the Directors;</li><li>• together with the other Board Members monitoring the implementation of Board decisions and directions and performance of Management; and</li><li>• leading the Board in establishing and monitoring good corporate governance practices and systems in the Company including facilitating the Board annual evaluation exercise and ongoing education programme for Directors;</li><li>• ensuring effective communication with stakeholders and that their views are communicated to the Board. He also presides over shareholder meetings and represents the Company at certain key events.</li></ul> <p>The role of the Chairman is detailed in Appendix A of the Board Charter.</p>

<b>Explanation for departure</b>	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There is a distinct division of roles and responsibilities between the Independent Non-Executive Chairman of the Board and the CEO. The Chairman has a non-executive role while the CEO who is also an Executive Director ("ED") has executive functions.</p> <p>The Chairman is Tunku Ali Redhaudin ibni Tuanku Muhriz, an Independent Non-Executive Director ("NED"). The Chairman's duties are explained in disclosure for Practice 1.2.</p> <p>Leon Andre Harland is the CEO and ED.</p> <p>The CEO, who is an ED has overall responsibilities over the following:</p> <ul style="list-style-type: none"> <li>• the performance of the operational and business units and achievement of the corporate and commercial objectives of the Group including managing the expansion and optimisation of revenue and earnings of each of the business units and enhancing the capital value of the Group;</li> <li>• working with and advising the Board to define the strategic, corporate and commercial objectives of the Group;</li> <li>• preparing its business and operational plans and seeing to their implementation as well as the implementation of the policies, directives and decisions as approved by the Board; and</li> <li>• providing leadership to Management and having direct oversight for the financial performance and organisational effectiveness of the Group which includes business operations, financial management and controls, project execution, supply chain management, human resource development, investor relations and building of brand equity, operational excellence, supporting and managing the Company's Health Safety Security Environment and Quality (HSSEQ) management system and quality performance initiatives as well as commitment to Corporate Sustainability.</li> </ul>
<b>Explanation for departure</b>	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Currently, there are 2 Joint Company Secretaries who hold the relevant qualifications to act as company secretaries; one holds a license issued by the Companies Commission of Malaysia and the other is a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). Both attend training programmes to keep themselves updated on the relevant regulations and corporate governance developments.</p> <p>All Directors have access to the advice and services of the Company Secretary.</p> <p>The role of the Company Secretary includes the following:</p> <ul style="list-style-type: none"> <li>(i) Corporate governance advisory <ul style="list-style-type: none"> <li>(a) ensuring that adequate processes and procedures are in place and adhered to for the effective functioning of the Board;</li> <li>(b) advising the Board on various matters including Directors' duties, disclosure obligations, compliance with companies and securities laws, regulatory requirements and corporate governance developments;</li> <li>(c) assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and</li> <li>(d) facilitating training programme for Directors and induction programme for new Directors.</li> </ul> </li> <li>(ii) Compliance advisory <ul style="list-style-type: none"> <li>(a) providing updates and assist the Board and Management with reviewing regulatory requirements related to Company and securities regulations and listing requirements as well as analysis of status of compliance and action plans; and</li> <li>(b) advising the Board on disclosure requirements relating to material information to shareholders and regulators in a timely manner; and</li> <li>(c) notifying the Board of any possible non-compliance issues.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>(iii) Information flows and meetings <ul style="list-style-type: none"> <li>(a) setting the agenda, convening, facilitating proper conduct and recording proceedings and decisions of the Board and Board Committees; and</li> <li>(b) ensuring an appropriate level of communication between the Board and its Committees and between senior management and the NEDs.</li> </ul> </li> <li>(iv) Regulatory compliance <ul style="list-style-type: none"> <li>(a) ensuring statutory and meeting records of the Company are properly maintained; and</li> <li>(b) ensuring relevant disclosures, submissions and filings are made in a timely manner to the regulators on behalf of the Company and the Board.</li> </ul> </li> <li>(v) Stakeholder communication <ul style="list-style-type: none"> <li>(a) managing processes pertaining to the annual shareholder meeting; and</li> <li>(b) serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</li> </ul> </li> </ul> <p>The duties of the Company Secretaries are detailed in Appendix B of the Board Charter.</p> <p>For year 2017, the key activities of the Company Secretaries in providing support to the Board included:</p> <ul style="list-style-type: none"> <li>(i) providing updates to the Board and Management on the Companies Act 2016 ("CA 2016"), Malaysian Code on Corporate Governance 2017 ("MCCG"), revised Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Corporate Governance Guide (3<sup>rd</sup> Edition) together with an analysis of the Company's status of compliance and relevant action plans.</li> <li>(ii) coordinating the induction for the new Independent Director who joined the Board in April 2017 with Management, and briefing to the Directors by internal and external parties held in conjunction with the scheduled Board meeting. The list of training attended by Directors in 2017 is disclosed on pages 63 and 64 of the 2017 Annual Report.</li> <li>(iii) organising the Company's Annual General Meeting ("AGM") held in May 2017 and electronic poll voting for the first time for the Company.</li> </ul> <p>Based on an annual assessment done, the Board is satisfied with the overall performance and support by the Companies Secretaries in facilitating the effectiveness of the Board function. The areas of improvement for the Company Secretaries include ensuring the relevant meeting documents are distributed to Directors in a timely manner.</p>
<b>Explanation for departure</b>	: Not applicable

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The annual meeting calendar is prepared at least 6 months before the start of the next year to ensure Directors are able to plan their schedule appropriately.</p> <p>Meeting papers for the Board and Board Committees meetings are to be furnished to Directors at least 5 working days prior to the meeting to allow the Directors reasonable time to consider the matters. However, papers that are deemed urgent may still be submitted to the Company Secretaries at short notice, subject to the approval of the Chairman and the CEO.</p> <p>In 2015, a paperless meeting solution was implemented as part of the initiative to improve meeting processes, reduce paper usage and ensure Directors are able to access papers in a timely and secure manner.</p> <p>For better planning of the Board meeting agenda, the Board Annual Outline Agenda is prepared at the end of the current year for the next year which sets out the area of focus by the Board. The meeting agenda is prepared with input from the CEO and finalised with the Chairman of the Board and respective Board Committees Chairmen taking into account the Schedule of Matters Reserved for the Board.</p> <p>The minutes of meetings record the key discussion points of the meeting and the decisions made by the Board and Board Committees including whether any Director abstained from voting or deliberating on a certain matter. The minutes are circulated to Directors for review after the meeting and Directors provide comments either before the meeting or at the next meeting when the minutes of previous meetings are tabled for confirmation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

The board charter clearly identifies–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter was adopted by the Board in April 2015 and was recently reviewed by the Board in February 2018. It outlines the Board's responsibilities as a primary premise for effective discharge of its fiduciary and leadership functions, which are substantially aligned with the MCCG.</p> <p>The Board has delegated specific responsibilities to five Board committees, all of which operate within their respective approved TOR. These Committees assist the Board in making informed decisions through focused and in-depth deliberations on issues within their respective purview. The final decision on all matters, however, lies with the entire Board after considering recommendations by these Committees except to the extent that certain matters are delegated by the Board to the said Committees.</p> <p>Recognising the importance of providing clarity to the roles, responsibilities and powers of the Board, separate from the Board Committees and Management, a Schedule of Matters Reserved for the Board has been developed and adopted. The setting of business strategy, approval of annual business plan and budget including annual capital and operating expenditure, approval of major new projects and the capital and operating expenditure related to such projects, acquisitions and disposals of strategic investments and joint ventures, borrowings, capital restructuring and approval of annual and quarterly financial statements vest with the Board.</p> <p>The Board Charter also outlines the duties of the Board Chairman, the CEO, NED, Senior Independent Director and the Company Secretary.</p> <p>The Board Charter is reviewed from time to time and at least once in two years to ensure it is updated with changes in the relevant regulations and best practices as well as to ensure its effectiveness and relevance to the Board's objectives.</p>
<b>Explanation for departure</b>	:	Not applicable

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 3.1**

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

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>Since 2006, the Company has in place a Code of Ethics ("COE"), covering business ethics, conflicts of interest as well as gifts and entertainment. Enhancements to the COE (now renamed Code of Business Conduct &amp; Ethics ("COBCE")) were approved and adopted by the Board in February 2018.</p> <p>The COBCE outlines standards expected of not only Directors, officers and employees of the Company but also the Company's business partners such as agents, consultants, contractors and suppliers in connection with their work for the Company. It sets out requirements in relation to reporting breaches and non-compliance of the COBCE, workplace behaviour, business practices (corruption, money laundering, conflicts of interest), assets and financial integrity, managing information (insider trading) and external communication. All employees are required to declare that they have read and understood the provisions of the COBCE, as well as agree to abide by it. Failure to comply with the COBCE may constitute misconduct that can lead to the Company initiating appropriate disciplinary action. The COBCE will be reviewed and updated as may be required to ensure that it is consistent with global trends and new legislation. The COBCE is posted under the <a href="#">Corporate Governance section</a> on the Company's website.</p> <p>Separately, the Board has adopted a Code of Business Conduct and Ethics specifically applicable to Directors ("Directors COBCE") that establishes a standard of ethical behaviour and values to uphold the spirit of responsibility for managing a company. Amongst others, it governs the handling of conflicts of interest, dealings in securities, confidentiality and Company information. The Directors COBCE is posted under the <a href="#">Corporate Governance section</a> on the Company's website .</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<b>Measure</b> :	Not applicable	
<b>Timeframe</b> :		

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>In 2012, the Board had established a Whistle Blowing Policy and Procedure to promote responsible corporate conduct across the Group. This policy was updated in February 2018 and renamed as the Speak Up Policy. The Policy is intended to encourage employees and stakeholders to report actual or perceived unethical or illegal conduct of employees, Management, Directors and other stakeholders across the Company to appropriate channels in a strictly confidential manner without any fear of harassment, intimidation, victimisation or reprisal.</p> <p>The Policy also establishes an Ethics Committee which is responsible to evaluate and investigate all complaints received pursuant to the Speak Up Policy. The Ethics Committee reports to the Audit Committee on a quarterly basis the status of all complaints received, under investigations and closed in current quarter.</p> <p>The Speak Up Policy is posted under the <a href="#">Corporate Governance Section</a> on the Company's website.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>As at April 2018, the Board has 6 members out of which 3 are Independent Directors (50%) which facilitates objective deliberations and decision making and effective oversight of Management.</p> <p>All the Independent Directors meet the criteria for independence as provided under the MMLR of Bursa Securities and the Company's Policy on Assessment of the Independence of Directors. The Independent Directors have also provided the annual declaration / confirmation on their independence to the Company in January 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	<p>To strengthen the current Board composition, the Nomination and Corporate Governance Committee ("NC") and the Board are reviewing profiles of candidates for a new Independent Director. The candidate must have experience in upstream industry, a geologist with deep understanding of reserves and reservoir risk management and will be a good fit to the current Board composition.</p> <p>An external consultant has been appointed to assist in the search for suitable candidates which covers a global pool.</p> <p>With the appointment of a new Independent Director, the Board will comprise of 7 Directors out of which 4 are independent i.e. majority of the Board comprises of Independent Directors.</p>
<b>Timeframe</b>	:	2018

**Intended Outcome**

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

**Practice 4.2**

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

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

<b>Application</b>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The limit of tenure of Independent Directors to 9 years has been adopted in BAB's Policy on the Assessment of the Independence of Directors in 2017.</p> <p>All 3 Independent Directors have not served more than 9 years on the Board. The duration of service on the Board by all 6 Directors are as follows:</p> <ul style="list-style-type: none"><li>- less than 3 years of service: 2 Directors (including the ED)</li><li>- 3 years and more but less than 6 years: 2 Directors</li><li>- 6 years and more but less than 9 years: 1 Director</li><li>- 12 years and more: 1 Director (Non-Independent NED)</li></ul>

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>A Board Diversity Policy (“Policy”) was adopted by the Board in 2013 and last reviewed in November 2016. The Policy reiterates that the Board shall comprise members who collectively have the right mix of qualifications, skills and competencies and other complementary attributes that will best serve the needs of the Company. It identifies gaps in competencies, skills and diversity among members and takes the necessary steps to remedy them to ensure they can add value to the deliberations and decision-making at the Board and Board Committee levels. The Policy recommends and promotes gender and age diversity and aims to increase the representation of women candidates on the Board.</p> <p>During 2017 and first quarter of 2018, there were several changes to the Board composition, which included the retirement of an Independent Director who was replaced by a new Independent Director, resignations of two NEDs and an ED.</p> <p>Based on the review of the Board’s composition using a skills matrix, the Board aims to identify a candidate with experience in upstream industry, a geologist with deep understanding of reserves and reservoir risk management.</p> <p>The selection of senior management is also based on objective criteria, skills, experience, cultural background and gender.</p>
<b>Explanation for departure</b>	:	Not applicable
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The current Board comprises 33% women i.e. 2 out of 6 Directors are women which complies with Practice 4.5 for at least 30% women directors.</p> <p>The Board Diversity Policy recommends and promotes gender and age diversity and aims to increase the representation of women Directors on the Board. Since the adoption of the Policy in 2013, the Board has made improvements in increasing women representations on the Board.</p> <p>The Board remains committed to ensuring diversity is the main principle for Directors' selection measured against meritocracy and other objective criteria whilst maintaining at least a 30% women representation on the Board. In this regard, the NC will continue to recommend candidates to the Board in line with the Policy.</p> <p>The Board is also committed to ensuring diversity in the Management team including senior women executives and reviews the talent pipeline for key positions regularly.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has appointed an independent search firm in 2017 to assist the Company in the search for new Independent Directors. The criteria set by the Board has been shared with the consultant and they have shared profiles of potential candidates with the NC for consideration.</p> <p>In searching for the new Independent Directors, profiles were also sourced from the Malaysian Directors Academy.</p> <p>The Directors' selection process comprises the following:</p> <ul style="list-style-type: none"> <li>(i) Identify the attributes needed on the Board and the vacancies to be filled;</li> <li>(ii) Determine the desired and resultant size of the Board;</li> <li>(iii) Draw up the specifications for the positions to be filled;</li> <li>(iv) Initiate the search for candidates via internal and external means;</li> <li>(v) Introduce shortlisted candidates to the Chairman, the NC and other Board members;</li> <li>(vi) Deliberate and recommendation by NC to the Board; and</li> <li>(vii) Decision making by the Board on the appointment.</li> </ul>
<b>Explanation for departure</b>	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the NC is Tunku Ali Redhaudin ibni Tuanku Muhriz, an Independent NED.</p> <p>The NC composition is diverse and majority of members are Independent Directors i.e. 3 out of 4 members are independent.</p> <p>Other than the Chairman, the NC comprises of Ms Alexandra Schaapveld, the Senior Independent Director (who chairs the Remuneration Committee), Mr Uthaya Kumar Vivekananda, an Independent Director (who chairs the Audit and Risk Management Committees) and Mr Chan Chee Beng, a Non-Independent NED (who chairs the Executive Committee).</p>	
<b>Explanation for departure</b>	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each Director. For 2013, the exercise was conducted by an external consultant. The exercise has been coordinated internally for the past 3 years from 2014 to 2017.</p> <p>The evaluation questionnaire implemented in 2013 was enhanced in 2015. The assessment criteria cover the Board's duties and responsibilities (Part A), Board and Board Committees' composition and meeting processes (Part B) and observations by the EDs (Part C). Under Part B, the Board Committees are also assessed on whether they have performed their duties as per their respective TOR during the year. The Chairman also meets with each Director in one-on-one sessions for direct feedback.</p> <p>The results of the assessment were presented to the NC and the Board and overall the Board and Board Committees have performed according to its term of reference with areas for improvement. The NC and Board approved the Actionable Improvement Programme (AIMP) that identified certain areas for improvement. The areas for improvement from year 2017 exercise included the Board driving strategy development towards achieving the Company's goals whilst balancing the risk and rewards, ensuring sufficient reviews and monitoring of the capital budgets and strategic plans, improved substance and time allocation for Board to make decision on strategies and marketing.</p> <p>The AIMP sets out clear action plans and persons responsible for each plan and timelines which progress will be reviewed by the Board on half-yearly basis.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	In view of the ongoing search for new Independent Directors, the NC and Board will look at engaging an independent external party to conduct the Board Annual Evaluation exercise for the financial year ending 31

	December 2018 which would include the participation of new Independent Directors targeted to be appointed in the second half of 2018.	
<b>Timeframe</b>	:	By First Quarter of 2019

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied									
<b>Explanation on application of the practice</b>	:	<p>The objective of the Group's policy on Directors' remuneration is to attract, retain and incentivise Directors with the right experience, expertise and calibre needed to manage the Group successfully. The remuneration of the EDs and senior management is structured so as to link rewards to individual responsibilities and to corporate and individual performance.</p> <p>In the case of NEDs, their remuneration reflect their experience, expertise and the level of responsibility and duties undertaken, as well as the roles they are to play on the Board and Board Committees. The Board may draw advice from independent consultants in determining remuneration.</p> <p>The EDs' remuneration package comprises an all-in fixed component which includes a base salary, benefits-in-kind/emoluments such as company car, driver, health insurance premium coverage; and a variable component which includes short-term incentives in the form of a performance-based bonus and long-term incentives (share based). The EDs are not entitled to receive any fees and meeting allowance for Board or Board Committee meetings that they attend.</p> <p>The NEDs' remuneration comprises the following components:</p> <table border="1"><thead><tr><th>Remuneration component</th><th>Paid as</th><th>Detail</th></tr></thead><tbody><tr><td>Board fixed fee</td><td>Cash</td><td>Monthly fees paid for service on the Board of BAB. The fee for the Chairman compensates his role and responsibilities in leading the Board.</td></tr><tr><td>Board Committee fixed fees</td><td>Cash</td><td>Monthly fees paid for service on the Audit Committee, Nomination &amp; Corporate Governance Committee, Remuneration Committee, Risk Management Committee and Executive Committee. The Chairmen of the</td></tr></tbody></table>	Remuneration component	Paid as	Detail	Board fixed fee	Cash	Monthly fees paid for service on the Board of BAB. The fee for the Chairman compensates his role and responsibilities in leading the Board.	Board Committee fixed fees	Cash	Monthly fees paid for service on the Audit Committee, Nomination & Corporate Governance Committee, Remuneration Committee, Risk Management Committee and Executive Committee. The Chairmen of the
Remuneration component	Paid as	Detail									
Board fixed fee	Cash	Monthly fees paid for service on the Board of BAB. The fee for the Chairman compensates his role and responsibilities in leading the Board.									
Board Committee fixed fees	Cash	Monthly fees paid for service on the Audit Committee, Nomination & Corporate Governance Committee, Remuneration Committee, Risk Management Committee and Executive Committee. The Chairmen of the									

			Board Committees are compensated for his/ her role and responsibilities in leading the Board Committees.
	Meeting allowance	Cash	Allowance paid to Directors per meeting day including allowance for travel days to attend meetings, training programmes and Company's key events.
	Car allowance	Cash	Monthly allowance for the Board Chairman to compensate his role and responsibilities in leading the Board.
	<p>The details on remuneration of Directors are disclosed on pages 129 and 130 of the 2017 Annual Report and policy is stated under the Explanatory Notes to the Notice of the 22<sup>nd</sup> Annual General Meeting and posted on BAB's website under <a href="#">Investor Relations- Annual Reports</a>.</p> <p>The components of remuneration for senior management comprises guaranteed cash (e.g. salary and allowances), short-term incentives (cash bonus), long-term incentives (share based) and benefits-in-kind (e.g. medical coverage). The short-term and long-term incentives are performance related.</p>		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee ("RC") comprises three NEDs, the majority of whom are independent: Ms Alexandra Schaapveld (RC Chairman), Mr Uthaya Kumar Vivekananda and Ms Maureen Toh.</p> <p>The RC is charged with the following primary responsibilities:</p> <ul style="list-style-type: none"><li>• recommend to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of the EDs;</li><li>• evaluate the annual performance and reward of the EDs;</li><li>• review Management remuneration policies and proposals; and</li><li>• review and endorse broad parameters and criteria for the determination of eligibility and basis and criteria for allocations and grant of shares under the Company's Management Incentive Plan ("MIP").</li></ul> <p>The RC's TOR is posted on BAB's website under the <a href="#">Corporate Governance Section</a>.</p> <p>The determination of the remuneration of Directors is a matter for the Board as a whole based on the recommendation of the RC. Individual Directors do not participate in decisions regarding their own remuneration packages.</p> <p>The fees of the NEDs and any benefits payable to the Directors are subject to the approval of the Company's shareholders at a general meeting in accordance with Section 230 of the CA 2016.</p> <p>The ED/ CEO does not receive any directors' fees or meeting allowances.</p> <p>The components of remuneration for senior management comprises guaranteed cash (e.g. base salary and allowances), short-term incentives (cash bonus), long-term incentives (share based) and benefits-in-kind (e.g. medical coverage). The short-term and long-term incentives are based on individual performance and organisation/business unit performance and affordability.</p>

	The shareholders had at the Company's Extraordinary General Meeting in May 2016 approved the MIP.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The remuneration of the NEDs and EDs for FY2017 are disclosed in the 2017 Annual Report on pages 129 and 130 respectively.  Directors who serve on subsidiary boards do not receive any additional remuneration for services rendered in the subsidiaries.	
<b>Explanation for departure</b>	:	Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company acknowledges that disclosing senior management's remuneration is important but there is overriding risk of such disclosure being counter-productive to the Company.</p> <p>The governance of ensuring the senior management's remuneration is fair and equitable and implemented appropriately rests with the RC which makes recommendations to the Board for its approval.</p> <p>The alternative practice in ensuring the Intended Outcome is achieved is by disclosing the Company's remuneration policy and framework for the senior management.</p> <p>The components of remuneration for senior management comprises guaranteed cash (e.g. base salary and allowances), short-term incentives (cash bonus), long-term incentives (share based) and benefits-in-kind (e.g. medical coverage). The short-term and long-term incentives are based on individual performance and organisation/business unit performance and affordability.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Company will review the disclosure for financial year 2018 taking into consideration the market and industry development.
<b>Timeframe</b>	:	Review in 2019

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Company acknowledges Practice 7.3 but there is overriding risk of such disclosure being counter-productive to the Company.</p> <p>The governance of ensuring the senior management's remuneration is fair and equitable and implemented appropriately rests with the RC which makes recommendations to the Board for its approval.</p> <p>The alternative practice in ensuring the Intended Outcome is achieved is by disclosing the Company's remuneration policy and framework for the senior management.</p> <p>The components of remuneration for senior management comprises guaranteed cash (e.g. base salary and allowances), short-term incentives (cash bonus), long-term incentives (share based) and benefits-in-kind (e.g. medical coverage). The short-term and long-term incentives are based on individual performance and organisation/business unit performance and affordability.</p>

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee ("AC") presently comprises three members, all of whom are NEDs and majority are independent (2 out of 3 members).</p> <p>The AC Chairman is Mr Uthaya Kumar Vivekananda, an Independent NED. He also chairs the Risk Management Committee ("RMC"). The AC Chairman is not the Chairman of the Board. The Chairman of the Board is Tunku Ali Redhauddin ibni Tuanku Muhriz.</p> <p>The current composition of the AC complies with Paragraph 15.09(1) of the MMLR of Bursa Securities which requires all members to be NEDs, with a majority of them being independent and at least one member fulfilling the requisite qualification under Paragraph 15.09(1)(c) of the MMLR.</p> <p>The role of the AC Chairman includes:</p> <ul style="list-style-type: none"> <li>(i) setting the meeting agenda with input from Management and external auditors;</li> <li>(ii) reporting to the Board on the key deliberation and decisions of the AC;</li> <li>(iii) maintaining ongoing dialogue with Management and internal and external auditors;</li> <li>(iv) setting the tone for the AC discussions and deliberations in encouraging open discussion during meetings to facilitate effective decision making.</li> </ul> <p>The AC is governed by its own TOR, which was approved by the Board on 18 June 2011, and is subject to annual review. An internal review of the TOR was conducted in February 2018 and changes were made to ensure its continuing compliance with the MMLR and the MCCG.</p> <p>The TOR is available on the Company's website under the <a href="#">Corporate Governance section</a>.</p>
<b>Explanation for departure</b>	:	Not applicable

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

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The AC's Terms of Reference was updated in February 2018 to include the provision that the AC shall not elect any former key audit partner as a member unless he/she has observed a cooling-off period of at least two (2) years before being appointed as a member of the AC.</p> <p>A former key audit partner includes the engagement partner and any other audit partner on the engagement team who makes key decisions on significant matters with respect to the audit of the Company and Group's financial statements on which the auditor has an opinion.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board maintains a formal and transparent professional relationship with the Group's auditors, both Internal and External, through the AC.</p> <p>The External Auditors are required to declare their independence annually to the AC as specified by the By-Laws issued by the Malaysian Institute of Accountants. This is also specified in the TOR of the AC. The External Auditors have provided such declaration in the annual audit plan presented to the AC.</p> <p>The AC also makes its own assessment of their suitability and independence in connection with the recommendation to retain them as External Auditors for the ensuing year, which is subject to approval of shareholders at the Company's 22<sup>nd</sup> AGM. Such assessment is based on:</p> <ul style="list-style-type: none"><li>• their professionalism;</li><li>• their objectivity and independence, in relation to the audit and non-audit services rendered by them based on feedback from the Management;</li><li>• their performance; and</li><li>• their interaction with the AC during AC meetings and at meetings in the absence of Management.</li></ul> <p>The Policies and Procedures on Independence of External Auditors including a framework for engaging them in the provision of non-audit services, together with criteria relating to their performance and independence has been updated to be in line with the Group's revised Limit of Authorities in November 2016. The policies and procedures adopted by the Board and applied by the AC in making its recommendation on whether the Auditors should be retained.</p> <p>Further to the AC's assessment on the External Auditors' independence, objectivity and effectiveness of the audit process, taking into consideration relevant professional and regulatory requirement, and based on the AC's recommendation, the Board is satisfied that the External Auditors are suitable and remain independent to continue as the Company's external auditors and recommend their re-appointment to the shareholders at the forthcoming AGM.</p>

<b>Explanation for departure</b>	: Not Applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	Currently, 2 out of 3 members of the AC are independent.  The Board is of the view that the AC which comprises of a majority of Independent Directors is sufficient to effectively discharge its duties as per its TOR. Furthermore, having a Non-Independent NED as a member of the AC adds value and depth to the discussion at the AC meetings due to his/her detailed insights and experiences.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC members have a wide range of necessary skills and experience as well as being financially literate to enable the AC to discharge its duties as per its TOR.</p> <p>The NC and Board assess the independence of the AC members during the Board Annual Evaluation exercise including evaluating whether the members had demonstrated objectivity and independence in expressing their views, and constructively deliberate on issues tabled at the AC meetings.</p> <p>In dealing with conflict of interest situations, all AC members declare any matter that they have an interest in and abstain from deliberation and decision making on the said matter. The declaration by the AC member is recorded in the minutes of meeting.</p> <p>In addition to briefings organised by the Company to the AC on relevant developments in accounting and auditing standards, practices and rules, the AC members undergo relevant training programmes, among others updates on new accounting standards and its potential impact to the Company.</p> <p>The list of training programmes attended by the AC members are on pages 63 and 64 in the 2017 Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board in discharging its responsibilities is fully committed to maintaining a sound risk management and internal control environment to safeguard shareholders' investments and the Group's assets.</p> <p>The Board has overall responsibility for the Group's system of internal control and its effectiveness, as well as for its adequacy and integrity. The system of risk management and internal control covers governance, financial, strategy, organisational, operational, regulatory and compliance matters. This system is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate these risks. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. Management is ultimately responsible for ensuring that the policies and procedures on risk and internal control are implemented and enforced.</p> <p>The Group continues to take measures towards enhancing the adequacy and effectiveness of the risk management and internal control system. The identification, evaluation and management of risks is an ongoing process and significant efforts have been put in place to improve overall risk management.</p> <p>The RMC assists the Board in ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group, which includes identifying significant risks and ensuring that the Enterprise Risk Management ("ERM") Framework includes all the necessary policies and mechanisms to manage and monitor the overall risk exposure of the Group. Additionally, the RMC reviews the effectiveness of the ERM Framework and the results of risk assessments of the various business units within the Group. In discharging its responsibilities, the RMC is assisted by the Risk Management department.</p> <p>The BAB Group's ERM organisation structure allows risk information flow for effective oversight of risk management at all levels. Risks are reviewed at various levels namely the various shore base operations and Business Units ("BU's") and the corporate departments and then at the CEO level from a collation of enterprise risks standpoint before it is deliberated at the RMC and Board level.</p>

	<p>An AC Reporting Framework has been developed during the year to ensure that there are clear lines of accountability via our various lines of defence. The Reporting Framework and the matters that are reported via this framework to the AC has been mapped to the TOR of the AC to ensure that all areas of responsibility are covered and to enhance the quality of reporting.</p> <p>The internal audit process for the Group is conducted by its Internal Audit Department (“IAD”) which has been established by the AC. The IAD is independent of the activities it audits and audits are performed with impartiality, proficiency, and due professional care. Internal Audit Reports are tabled at the AC meeting. The AC will review, assess and approve the internal audit plans and programs and provides guidance to the IAD as and when necessary. The AC also reviews and monitors the responsiveness of the Management to significant audit findings and the recommendations of the IAD.</p> <p>The IAD attempts to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the various processes and controls within the Group. The IAD maintains its impartiality and proficiency and due professional care by having its plans and reports directly under the purview of the AC.</p> <p>The risk management and internal audit activities are detailed in the Statement on Risk Management and Internal Control and the AC Report incorporated in the 2017 Annual Report.</p>	
<b>Explanation for departure</b>	: Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The BAB Group's ERM organisation structure allows risk information flow for effective oversight of risk management at all levels. Risks are reviewed at various levels namely the various shore base operations and BUs and the corporate departments and then at the CEO level from a collation of Enterprise Risks standpoint before it is deliberated at the RMC and Board level.</p> <p>The Group has a risk management framework that is integrated and embedded into the day-to-day business activities and management decision making of the various business units and functions of the Group. The framework also aims to provide a consistent approach for identifying, evaluating and managing the significant risks faced by the Group and facilitating a reasonably accurate perception of the acceptable risks. Managing risks is a shared responsibility and is integrated within the Group's governance, business processes and operations.</p> <p>The BAB ERM Framework as endorsed by the RMC contains the following key elements:</p> <ul style="list-style-type: none"><li>▪ Risk Representatives in each BU to spearhead the coordination of risk management activities. These Risk Representatives are responsible for ensuring the timely updating of risks, controls, issues and action plans within their own BUs. Their updates are then independently validated by the Risk Management Department;</li><li>▪ Specified roles and responsibilities at each level of management in the Group in relation to Risk Management;</li><li>▪ Mechanisms, tools and techniques for managing risks in the Group; and</li><li>▪ Guidance on risk reporting. Risk reports are prepared for the RMC and include an assessment of risk, actions to mitigate the risk and its status.</li></ul> <p>The details of the top risk for the organisations are outlined in the Statement on Risk Management and Internal Control on pages 82 - 84 of the 2017 Annual Report.</p>

	<p>The Board recognises that the internal audit function is an integral part of the governance process of the Group. The IAD provides independent assurance on the adequacy and effectiveness of the internal control systems implemented by the Group and reports its findings directly to the AC. The IAD reviews the Group’s system of internal controls, its operations and selected key activities based on the risk assessment and in accordance with the annual audit plan that is approved by the AC. In line with the Board and AC’s recognition of the importance of the IAD, in FY2017, the Internal Audit (“IA”) function is now fully resourced internally and the outsourced model of the past is no longer relevant.</p> <p>The AC receives and reviews all Internal Audit reports including the agreed actions that are to be taken in order to mitigate and close the highlighted control gaps. All issues raised and action plans to close gaps are monitored via the monitoring mechanism that has been developed till closure and status is reported on a quarterly basis to the AC. The key activities of the IAD for 2017 are as set out in the AC report on page 76 of the 2017 Annual Report.</p>	
<b>Explanation for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>		
<b>Timeframe</b>		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Currently, the RMC comprises of two members; both are NEDs and one is an Independent Director. The RMC is chaired by Mr Uthaya Kumar Vivekananda, an Independent NED who also chairs the AC.</p> <p>The search for a new Independent Director is ongoing and upon his/ her appointment as an Independent Director of BAB, he/ she will also be appointed a member of the RMC. Upon such event, the RMC would comprise of a majority of Independent Directors i.e. 2 out of 3 members are independent.</p> <p>Please refer to the explanation for adoption of Practice 4.1 for more details on the search for a new Independent Director.</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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The internal audit process for the Group is conducted by its IAD which has been established by the AC. The IAD is independent of the activities it audits and audits are performed with impartiality, proficiency, and due professional care. Internal Audit Reports are tabled at the AC meeting.</p> <p>The AC will review, assess and approve the internal audit plans and programs and provides guidance to the IAD as and when necessary. The AC also reviews and monitors the responsiveness of the Management to significant audit findings and the recommendations of the IAD.</p> <p>The IAD attempts to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the various processes and controls within the Group. The IAD maintains its impartiality and proficiency and due professional care by having its plans and reports directly under the purview of the AC.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit process for the Group is conducted by its IAD which has been established by the AC. The IAD is independent of the activities it audits and audits are performed with impartiality, proficiency, and due professional care. Internal Audit Reports are tabled at the AC meeting. The AC will review, assess and approve the internal audit plans and programs and provides guidance to the IAD as and when necessary. The AC also reviews and monitors the responsiveness of the Management to significant audit findings and the recommendations of the IAD.</p> <p>The IAD aims to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the various processes and controls within the Group. The IAD maintains its impartiality and proficiency and due professional care by having its plans and reports directly under the purview of the AC. The IAD adopts the main standards and principles outlines in the International Professional Practices Framework of The Institute of Internal Auditors and this has been incorporated in the practical IAD methodology that is used to guide the ways of working of the IAD.</p> <p>IAD is staffed by 5 resources and headed by the Head of IA, Ms Sasha Vijayananthan. Please refer to page 53 of the 2017 Annual Report for her profile.</p> <p>The resources at IAD come from a diverse background of audit, engineering and finance. Head of IAD undertakes to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by providing them with the relevant training.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board understands the need for timely and accurate disclosures in compliance with the MMLR of Bursa Securities and for proper procedures and processes to be in place in ensuring the maintenance of confidentiality and proper handling of material and price sensitive information, prior to them being announced to Bursa Securities. Various procedures and processes are in place to govern different corporate activities including timely disclosure of the quarterly and annual results.</p> <p>The Corporate Disclosure Policy and Procedure was adopted by the Board in November 2016 in relation to seeking approvals for transactions and handling of material information to comply with the MMLR. The policies and procedures will be reviewed and enhanced from time to time.</p> <p>The Board believes that constructive and effective investor relations are essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders and other stakeholders as widely as possible for equal and fair access. Such information is communicated through the Annual Reports, Circulars to shareholders, general meeting notices, various disclosures and announcements to Bursa Securities, including quarterly and annual results and reports. Disclosures to Bursa Securities are made via the Bursa LINK as well as through press releases where deemed relevant. For ease of access, such information, reports and announcements are also uploaded immediately onto the corporate website of the Company under <a href="#">Investor Relations section</a>. More items and sources of information will be identified for uploading onto the Company's website going forward to reach a wider audience.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Whilst the Company understands the value of producing an Integrated Report (that being as a concise communication about how an organisation's strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term), it is also cognisant of ensuring that any genuine integrated reporting journey would be premised on intent rather than an obligation to comply.</p> <p>BAB's business is subject to a more complex array of external effects and influences than companies in most other industries. The Company believes that the best way to deal with this is to give as much thought to environmental, social, and governance factors as to operational and financial issues and manage the trade-offs between them; in other words, to manage the Company in an integrated manner. The Company believes that Integrated reporting is the most effective way to convey this to the industry's diverse stakeholders.</p> <p>Notwithstanding the above, many other issues need to be resolved before moving towards integrated reporting. The Company needs to:</p> <ul style="list-style-type: none"><li>• Get the sustainability (non-financial information such as health, environmental, and community investment data) reporting to the same standard as the financial reporting. This will require a significant investment in human resources, in capturing technology, and databases to collate and analyse the data.</li><li>• Ensure that different sustainability data is measured in the same way in different regions and operations.</li><li>• Institute quarterly auditing by internal auditors and annual auditing by external auditors.</li><li>• Break down the barriers that exists between financial, operational, and sustainability reporting.</li></ul> <p>The Company is working towards an integrated reporting journey. However, it will be a journey of proven value creation, for the Company and its shareholders.</p>

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

<b>Measure</b>	:	The Board would continuously improve on the reporting in the annual report in creating value to the Company and shareholders.	
<b>Timeframe</b>	:	Ongoing review	

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Notice of the Company's AGM is advertised in at least one mainstream newspaper on the date on which it is despatched to shareholders. Such Notice is also announced in advance through the Bursa LINK. The Notice is issued together with the annual report in electronic form and the abridged version of the annual report.</p> <p>30 clear days' notice was given for the 2017 AGM, which is more than the minimum 21 days of notice required to be given. For the AGM in 2018, the Company intends to maintain the practice of giving more than the minimum prescribed notice, to allow shareholders sufficient time to make arrangements to attend the meeting.</p> <p>When the AGM Notice is despatched, it will also incorporate detailed advice and instructions on members' entitlement to attend the meeting, appoint proxies and the address and deadline for lodgement of Proxy Forms. An Administrative Guide that is sent together with the AGM Notice and Proxy Form also provides pertinent information on the venue of the meeting, parking, directions to the registration and meeting halls and the registration process, to facilitate shareholders' attendance and assist them in their registration.</p> <p>In compliance with MMLR, all resolutions tabled at the 21<sup>st</sup> AGM in May 2017 had been voted by poll via e-polling for more expeditious verification and counting of votes. The Company will conduct the voting via e-polling for the proposed resolutions to be tabled at the 22<sup>nd</sup> AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>For the 22<sup>nd</sup> AGM to be held in May 2018, all Directors have confirmed their attendance.</p> <p>All Directors (includes the Chairmen of the Board, AC, NC, RC and RMC) except one (Non-Independent NED) did not attend the 21<sup>st</sup> AGM held in May 2017 due to prior personal commitments that could not be rescheduled.</p> <p>In ensuring quality interaction between the Board, Management and shareholders at the AGM, the Board Chairman explicitly mentions the members' and proxies' voting rights and their right to demand a poll, during the meeting.</p> <p>Shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns at this forum.</p> <p>At the AGM, Directors are allocated responsibility to respond to questions that may be raised by shareholders in accordance with their Board or Board Committee roles. Directors are also encouraged to have direct interaction with the shareholders before and after the AGM.</p> <p>In briefing shareholders at the AGM on the proposed resolutions prior to voting on the resolutions, the Board Chairman would highlight to the shareholders the rationale of each resolution which are also stated in the Explanatory Notes of the Notice to the 22<sup>nd</sup> AGM. The Board Chairman will allocate adequate time for a Question and Answer session for each resolution and may call upon the respective Board Committee Chairman or the CEO or other relevant Management personnel to assist in responding to the questions by shareholders. This would enable the shareholders to make an informed decision when casting their votes.</p> <p>The CEO would present an overview of the Company's performance for the year under review before the audited financial statements are tabled to the AGM.</p> <p>The Company's external auditors and any advisors appointed for a corporate proposal will also be invited to attend the general meeting to</p>

	assist with any questions that shareholders may have relating to the audit processes and corporate proposal respectively.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The proposed dates for the AGM are shared with Directors more than 6 months before the AGM to enable Directors to block their schedule accordingly.
<b>Timeframe</b>	:	Immediate

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company does leverage on technology to facilitate its shareholders' meeting as permitted by its Articles of Association ("Articles") and at the 21<sup>st</sup> AGM held in May 2017, voting on resolutions was done via poll in compliance with the MMLR of Bursa Securities. The e-polling process which was done for the first time for the Company's shareholders' meeting was facilitated by an external Share Registrar and observed by independent scrutineers.</p> <p>Currently, the Company's Articles does not enable shareholders to attend the general meetings held at more than one venue via electronic means.</p> <p>The Company will propose amendments to its Articles at the 22<sup>nd</sup> AGM to allow for a general meeting to be convened at more than one venue and for shareholders to participate and vote at the meeting using technology in accordance with the CA 2016.</p> <p>As an alternative to this Practice, the current arrangements relating to shareholders' meetings enables shareholders to exercise their rights at the meetings in terms of voting on the resolutions tabled at the meeting either in person or by proxy. Furthermore, all of the Company's previous shareholders meetings have been held in the Klang Valley area and is accessible by various modes of transport.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Company will monitor the market and industry development in respect of the appropriate technology and systems available at a reasonable cost to facilitate shareholders' participation at the meetings from an off-site location. The security and stability of such electronic platform is crucial to ensure shareholders attending such meetings can participate effectively at the meeting.
<b>Timeframe</b>	:	Ongoing review