

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7084
COMPANY NAME : QL Resources Berhad
FINANCIAL YEAR : March 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>QL is led by an experienced and dynamic Board, which is ultimately responsible for establishing all strategies and policies relating to the running of QL. With its balanced Board composition comprising effective Independent Directors, the Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value.</p> <p>The Board's role is to govern QL rather than to manage it. In governing QL, the Board delegates and confers some of its authorities and discretion to the Group Managing Director and Board Committees. The Board Committees comprise Audit Committee, Risk Management Committee, Nominating Committee, Remuneration Committee as well as Executive Committee. Through its Committees, the Board provides effective oversight of the Management's performance, risk assessment and controls over business operations, and compliance with regulatory requirements. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.</p> <p>In addition, the Board is also responsible for formulating and reviewing the Group's strategic plans and key policies, and charting the course of the Group's business operations. Annually, the Board has a dedicated strategy planning session, whereby the Management presents to the Board its recommended strategy and proposed business and regulatory plans for the following year. The Board at its meeting held in May 2017, considered the progress of the 2018-2022 Plan, and deliberated on the focus areas for 2018 as well as the required catch-up strategy from the Management.</p> <p>The principal responsibilities of the Board include the following:</p> <ul style="list-style-type: none">• to review and adopt strategic plans, addressing the sustainability of the Group's business;

	<ul style="list-style-type: none"> • to oversee the conduct of the Group’s businesses and evaluate whether or not the businesses are being properly managed; • to identify principal business risks faced by the Group and ensure the implementation of appropriate systems to manage these risks; • to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management; • to develop and implement an investor relations programme or shareholder communications policy for QL; • to review the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; • to promote good corporate governance culture together with Senior Management within QL for reinforcing ethical, prudent and professional behaviours; and • to review, challenge and decide on Management’s critical proposals for QL, and oversee its implementation by Management. <p>The roles and responsibilities of the Board and individual Director are clearly defined in the Company’s Board Charter, which is published on QL’s website at http://ql.com.my/corporate-governance.html .</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>YM Tengku Dato' Zainal Rashid bin Tengku Mahmood, an Independent Non-Executive Director, was appointed as the Chairman of QL Group on 3 January 2000, and has served QL for about eighteen (18) years.</p> <p>During his tenure, the Chairman ensured smooth functioning of the Board and put in place procedures and processes to facilitate effective conduct of business of the Board. He also ensured that decisions were taken on a sound and well-informed basis, of which any concern or dissenting view expressed by any Director on any matter deliberated at meetings of the Board or any of its Committees (as well as the meeting decisions) was addressed and duly recorded in the relevant minutes of the meetings.</p> <p>In addition, the Chairman cultivated a healthy working relationship with the Group Managing Director and provided the necessary support and advice as appropriate. He demonstrated the high standards of corporate governance practices.</p> <p>Following the re-organisation of the Board composition with effect from 1 April 2018, YM Tengku Dato' Zainal Rashid bin Tengku Mahmood retired as the Chairman of the Group, and was succeeded by Dr. Chia Song Kun, who acts as the Executive Chairman of the Group.</p> <p>Dr. Chia Song Kun will continue the legacy of the Chairman and provide effective leadership to the Board wherein he will play an instrumental role in steering the Board and its relations to shareholders and other stakeholders.</p> <p>Detailed roles and responsibilities of the Chairman are clearly defined in the Company's Board Charter, which is published on QL's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the financial year 2018, the position of Chairman was held by YM Tengku Dato' Zainal Rashid bin Tengku Mahmood, while Dr. Chia Song Kun was the Group Managing Director ("GMD"), being two (2) different individuals in QL Group.</p> <p>Subsequent to the re-organisation of the Board composition with effect from 1 April 2018, Dr. Chia Song Kun was re-designated as the Executive Chairman in QL, whereas Mr. Chia Song Kooi is the GMD.</p> <p>The profiles of Dr. Chia Song Kun and Mr. Chia Song Kooi are respectively set out in page 10 of QL's 2018 Annual Report.</p> <p>In this transition stage, Dr. Chia Song Kun is still an active Chairman in the leading of the Group's business including the day to day management and ultimately accountable to the Board of Directors for QL Group's performance. It is in QL's succession planning that Mr. Chia Song Kooi will gradually take over the full role of the day to day management of the Group within the next five (5) years.</p> <p>While for the time being the Chairman is executive, the Board is of the view that there are sufficient experienced and independent Directors on the Board. Currently, there are six (6) Independent Non-Executive Directors ("INEDs") representing 54.54% of the Board. With a majority of INEDs, the Board collectively would be able to function independently of management and this also allows for effective oversight of the management as well as to support objective and independent deliberation, review and decision making.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board, through its Nominating Committee, conducts assessment on the Board, Board Committees and individual directors in every financial year, including the role and responsibilities of the Chairman. In addition, the Board takes measures to evaluate the appropriateness of the

	Executive Chairman and GMD to ensure that the roles undertaken will continue to be in the interests of QL and its shareholders as a whole.	
Timeframe	:	Within five (5) years

Intended Outcome

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

Practice 1.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board has ready and unrestricted access to the advice and services of the Company Secretary for discharging its duty effectively. The Company Secretary of QL Group is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <p>The primary responsibilities of the Company Secretary include:</p> <ul style="list-style-type: none">• ensuring that Board procedures and applicable rules are observed;• advising the Board on its roles and responsibilities;• facilitating the orientation of new Directors and assisting in Directors' training and development;• maintaining records of the Board and ensuring effective management of the Company's records;• managing all Board and Board Committees meeting logistics, attending and preparing comprehensive minutes to document Board and Committee proceedings and ensuring conclusions are accurately recorded;• advising the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;• managing processes pertaining to the annual shareholder meeting;• monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;• serve as a focal point for stakeholders' communication and engagement on corporate governance issues; and• carrying out other functions as deemed appropriate by the Board from time to time. <p>The Board is regularly updated and informed of any relevant regulations and guidelines issued by the regulatory authorities. The Company Secretary gives clear and sound advice on the measures to be taken and requirements to be observed by QL and the Directors arising from new requirements issued by the regulatory authorities. The Company Secretary briefs the Board on proposed contents and timing of material announcements to be made to Bursa Malaysia Securities Berhad ("Bursa Securities"). She also serves notices to the Directors and Principal Officers on the closed periods for trading in QL's shares, in accordance with the black-out periods for dealing in QL's securities pursuant to the Main Market Listing Requirements of Bursa Securities.</p> <p>The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are maintained in the minutes book at the registered office of QL. The Company Secretary</p>

is also responsible for the operations of the secretariat functions, including lodgement with relevant statutory and regulatory bodies, the administration of Board and Board Committee meetings.

The Board, through the Nominating Committee, reviews the training needs of the Directors annually. Each Director is required to attend at least one (1) training per financial year. To comply with this requirement, the Secretariat assists in facilitating the coordination of the training programmes and Directors' attendance of external seminars and programmes, and compiles records of the training received by the Directors.

During the financial year ended 31 March 2018, the training programmes, seminar and briefings attended by Directors were as follows:

Name	Seminar/Course	Organiser
Dr. Chia Song Kun	CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	Bursa Malaysia
Mr. Chia Seong Pow	Corporate Directors Advanced Programme: The New Malaysian Code of Governance (MCCG) 2017 Leadership Program - Developing Organisational Talent 3 An Overview on the Malaysian Code on Corporate Governance 2017 5th Layer Conference Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	Malaysian Directors Academy QL in-house training COSPEC Management Services Sdn. Bhd. QL in-house training Bursa Malaysia
Mr. Chia Seong Fatt	4th Broiler Conference Leadership Program - Developing Organisational Talent 3 The 12th China International Oils and Oilseeds Conference 5th Layer Conference Palm and Lauric Oils Price Outlook Conference & Exhibition (POC) 2018	QL in-house training QL in-house training Dalian Commodity Exchange QL in-house training Bursa Malaysia & CME Group
Mr. Chia Song Kooi	Corporate Directors Advanced Programme: The New Malaysian Code of Governance (MCCG) 2017 Asian-Pacific Aquaculture 2017: Transforming for Market Needs Care for Growth Seminar	Malaysian Directors Academy Department of Fisheries, Ministry of Agriculture & Agro- Based Industry, Malaysia INVE Aquaculture

		Leadership Program - Developing Organisational Talent 3 5th Layer Conference Corporate Governance Briefing Sessions: MCG Reporting & CG Guide	QL in-house training QL in-house training Bursa Malaysia
	Mr. Chia Song Swa	Leadership Program - Developing Organisational Talent 3 CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	QL in-house training Bursa Malaysia
	Mr. Chia Mak Hooi	Leadership Program - Developing Organisational Talent 3 4th Broiler Conference 5th Layer Conference 4th Breeder Conference	QL in-house training QL in-house training QL in-house training QL in-house training
	Mr. Cheah Juw Teck	Leadership Program - Developing Organisational Talent 3 Changes Affecting Directors under The Companies Act 2016: What Every Director Needs to Know	QL in-house training Bursatra Sdn. Bhd.
	Mr. Chia Lik Khai	Leadership Program - Developing Organisational Talent 3	QL in-house training
	YM Tengku Dato' Zainal Rashid bin Tengku Mahmood	In the planning of retirement, YM Tengku Dato' Zainal Rashid bin Tengku Mahmood did not attend any training.	
	Mr. Chieng Ing Huong, Eddy	Companies Act 2016 and Implications for Directors (webinar) Strategy Masterclass for CEO & Entrepreneurs	Selangor Dredging Berhad Joescher Adhaus Sdn. Bhd.
	Mr. Tan Bun Poo, Robert	Cyber Security Awareness Sustaining Business Growth with Sound Governance Risk Management, Internal Control & Compliance workshop Liquidity Risk Governance MFRS 15 - Revenue from Contracts with Customers and MFRS 16 Leases Cyber Security Essentials for Board of Directors of Capital Market Intermediaries	Ambank/KPMG Bursa Malaysia Agile Avant Sdn. Bhd. MIA Bursa Malaysia

		FIDE Forum - Board Leadership Series CryptoCurrency & Blockchain Technology	Bank Negara Malaysia
		Shares with No Par Value, Share Buy Back/Preference Shares	MIA
		Malaysian Code of Corporate Governance 2017	Axcelasia
		Megatrends Forum 2017 - Building True Value in a Post-Truth World	Khazanah Nasional
	Prof. Datin Paduka Dr. Aini binti Ideris	Annual Report - Navigating Best Practices Compliance	Bursatra Sdn. Bhd.
	The Company Secretary also facilitated induction programme for three (3) Directors of QL who were newly appointed on 1 April 2018.		
Explanation for departure :			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure :			
Timeframe :			

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The annual meeting calendar is circulated in advance in each new financial year to facilitate Directors' planning. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees, the Annual General Meeting and the Group's strategy planning presentation.</p> <p>The Chairman, in conjunction with the Group Managing Director and the Company Secretary, undertakes the primary responsibility for preparing the Board's agenda. The notice together with the agenda are given to the Directors in writing at least seven (7) days prior to a Board meeting. The same notification is sent to the relevant Management, which includes the deadlines for submission of meeting materials, i.e., at least five (5) business days prior to the meeting. Upon receipt from the Management, the Secretariat ensures that the meeting materials are circulated as soon as practicable.</p> <p>Prior to each Board meeting, each Director will be provided with Board papers with necessary information that are accurate, clear and comprehensive to enable informed decision making. In addition, Board members can seek further advice or clarification from Management when required.</p> <p>Minutes are prepared following the Board meeting and are circulated in draft form within a reasonable timeframe for the Board members to review and to ensure that the minutes accurately reflect the deliberations and decisions of the Board. The draft minutes will be re-circulated with the Board papers in readiness for signing at the following meeting.</p> <p>The Company Secretary will extract the relevant part of the draft minutes of meetings and communicate the same to the respective Management for appropriate actions to be taken. Subsequently, the Company Secretary will follow up with the Management on the status of actions taken for updating the Board. Action items would stay as matters arising in the minutes of meeting until resolved.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>QL has established a Board Charter which serves as QL's corporate governance policy that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively. It sets out amongst other things, the key values, principles and ethos of QL.</p> <p>In addition, the Charter is also designed to provide guidance and clarity for Directors and Management regarding the following:</p> <ul style="list-style-type: none">• roles and responsibilities of the Board and its Committees; and• the requirements of Directors in carrying out their stewardship role and in discharging their duties towards QL as well as the Board's operating practices. <p>Terms of Reference of the Board Committees and Executive Committee together with the matters reserved for collective decision of the Board are attached as appendices in the Charter, which clearly set out the delegation of authority by the Board to the Committees and those key matters specifically reserved for the Board's approval.</p> <p>The Board undertakes to review the Charter regularly. In July 2018, the Board reviewed and approved certain revisions to the Board Charter for consistency with the Board's objectives and relevant standards of corporate governance. A copy of the revised Board Charter is available at QL's website at http://ql.com.my/corporate-governance.html .</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>QL has in place a Code of Conduct (“Code”) which is dedicated maintaining the high standards of excellence, honesty and integrity amongst its workforce and in every business activity. It is formulated to enhance the standards of corporate governance and corporate behaviour with the intention of achieving the following aims in QL Group:</p> <ul style="list-style-type: none">• to establish a standard of ethical behaviour for Directors, Senior Management and employees of companies in the QL Group based on trustworthiness and values that are acceptable;• to uphold the spirit of responsibility and social responsibility in line with existing rules, regulations and guidelines for administrating a company; and• to formalise and inculcate ethical values through the Code and ensure its implementation and compliance. <p>The Code covers the following overarching areas of practices:</p> <ul style="list-style-type: none">• Providing a safe and healthy environment;• Proper use of the Group’s property;• Maintaining accurate and complete records and information;• Respecting proprietary and confidential information;• Conducting business in compliance with laws;• Fair dealing with others;• Fair opportunities; and• Disclosure on conflicts of interests.

	<p>Management will communicate the Code to all new Executive Directors and employees during induction programme and all of them are required to acknowledge that they have read and fully understood the Code. Otherwise, new Directors and employees are required to inform the Board and respective managers or heads of department accordingly, if they have not or are unable to fulfil any section of the Code. In order to reinforce ethical values as part of good corporate governance culture under its leadership, the Board reviews the Code periodically. The Code is accessible at QL's corporate website.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	<p>In view that the following practices as recommended in the MCCG were not incorporated earlier, the Board has reviewed and approved the Code in July 2018 to include the following:</p> <ul style="list-style-type: none"> • Insider trading; • Anti-bribery and corruption; and • Anti money laundering.
<p>Timeframe</p>	<p>:</p>	<p>Completed</p>

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of whistleblowing and is committed to maintaining the highest standards of ethical conduct within the Group. Therefore, the Whistleblower Policy (“Policy”) has in place as an avenue for all Directors, officers, Senior Management and employees of QL Group (“Persons”) to report in good faith, any breach or suspected breach of any law or regulation, the Group’s policies and guidelines, business principles and any other wrongful activities or wrongdoings, in a safe and confidential manner without any fear of reprisal.</p> <p>A dedicated channel of reporting has been set up, of which an Independent Non-Executive Director of QL, was appointed by the Board as a Prescribed Person to ensure effective implementation of the Policy. The Persons can report their disclosure to the dedicated contacts as stated in the Policy. The Prescribed Person will assess the disclosure to determine whether it is related to a wrongdoing or excluded from the scope of the Policy, and will prepare general recommendations to the Audit Committee Chairman, who has the authority to make final decisions on the disclosure.</p> <p>The Board gives assurance that whistleblower will be protected from reprisal within the Company and their identity is kept confidential for any disclosure made in good faith.</p> <p>The Board together with Management reviewed the Policy in July 2018 and approved it as part of the Code of Conduct.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the financial year 2018, the Board consisted of twelve (12) members, comprising 1/3 of Independent Directors as follows:</p> <ul style="list-style-type: none">(a) one (1) Chairman;(b) one (1) Group Managing Director;(c) one (1) Deputy Group Managing Director;(d) six (6) Executive Directors; and(e) three (3) Independent Non-Executive Directors (“INED”). <p>The Board believes that the Board composition is optimum and well balanced, which is consistent with the size of the Group and its operation.</p> <p>Each year, the Board, through Nominating Committee (“NC”), reviews the Board and Board Committees’ effectiveness. These assessments are used to facilitate the NC’s evaluation of performance of the Board as a whole, its Committees and the contribution of each individual Director.</p> <p>The NC upon its annual assessment carried out for financial year 2018, was satisfied that:</p> <ul style="list-style-type: none">• the size and composition of the Board is optimum with an appropriate mix of knowledge, skills, attributes and core competencies;• the Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the Company’s operations;• all the Directors continue to uphold the highest governance standards in their conduct and that of the Board;• all the members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective depth of knowledge, skills and experience and their personal qualities;• the INED comply with the definition of Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and

	<ul style="list-style-type: none"> the Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of QL as reflected by their attendance at the Board meetings and Board Committee meetings. 	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>: In line with this practice, the Board has re-organised its Board composition with effect from 1 April 2018. Following the re-organisation, the Board consists of fourteen (14) members comprising a majority of Independent Directors, not taking into consideration the Alternate Directors, as follows:</p> <p>(a) one (1) Executive Chairman; (b) one (1) Group Managing Director; (c) three (3) Executive Directors; (d) six (6) INED; and (e) three (3) Alternate Directors.</p>	
<p>Timeframe</p>	<p>: Completed</p>	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Mr. Chieng Ing Huong, Eddy was appointed as an Independent Non-Executive Director ("INED") of QL on 24 December 2001, and has, therefore served the Company for more than sixteen (16) years.</p> <p>Although Eddy has served QL for more than sixteen (16) years, the Board is of the view that the length of service of Directors does not affect the Directors in exercising their objective and independent judgement to discharge their duties and responsibilities.</p> <p>In the meantime, the Nominating Committee had conducted an evaluation of level of the independence of the INED of QL, including Eddy, through the Directors' self and peer evaluation. The Board has received confirmation in writing from all the Independent Directors of their independence based on the criteria in line with the definition of "Independent Director" prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). The Board is satisfied with the level of independence of the INED.</p> <p>At this juncture, the Board will seek shareholders' approval at the forthcoming Annual General Meeting ("AGM") to be held on 28 August 2018, via Ordinary Resolution, to retain Eddy as an INED of QL, who has served on the Board for more than sixteen (16) years, based on the following justifications:</p> <ul style="list-style-type: none">• he fulfilled the criteria under the definition of Independent Director pursuant to the MMLR;• he has ensured effective check and balance in the proceedings of the Board and the Board Committees;

	<ul style="list-style-type: none"> • he has actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party; • he has devoted sufficient time and attention to his responsibilities as an INED of QL; and • he has exercised his due care in the interest of QL and shareholders during his tenure as an INED of QL. <p>The two-tier voting process will be incorporated into QL's new Constitution. The current M&A will be reviewed to be aligned with the Companies Act 2016 and recent MMLR amendments. The Board is targeting to table the resolution in respect of the amendment of QL's M&A for shareholders' approval in the 2019 AGM.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	<p>The Board will review and amend QL's M&A accordingly.</p>
<p>Timeframe :</p>	<p>Within two (2) years</p>

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to ensuring that its members should have wide ranging experience, skill and knowledge that add value to QL and its Group. The qualifications for Board membership are the ability to make informed business decisions and recommendations; possesses an entrepreneurial talent for contributing to the creation of shareholder value; relevant experience, the ability to appreciate the wider picture of the Group’s business; ability to ask probing operational related questions; high ethical standards; sound practical sense; and total commitment to furthering the interests of shareholders and achievement of the Group’s goals. In addressing this, the Board shall consider recommendations by the Nominating Committee (“NC”) pertaining to nominees for directorship in QL.</p> <p>As part of the selection and recruitment of Directors, the NC will consider prospective Directors’ character, experience, competence, integrity and time availability, as well as the following factors:</p> <ul style="list-style-type: none"> • industry skills, knowledge and expertise; • professionalism; • diversity; • contribution and performance; and • in the case of candidates for the position of Independent Non-Executive Directors (“INED”), the Board shall also evaluate the candidates’ ability to discharge such responsibilities/functions as are expected from INED. <p>A more detailed description of the diverse background and experience of the Board is stated in the Board of Directors’ profile from pages 10 to 16 of QL’s 2018 Annual Report.</p> <p>In the meantime, the appointment of Senior Management was also made with due regard for diversity in skills, experience, age, cultural background and gender. All Senior Management staff are assessed on a yearly basis.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure											
Explanation on application of the practice	:												
Explanation for departure	:	On 25 February 2016, the Board established a Board Diversity Policy formalising its approach to boardroom diversity. The Board views that diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. In pursuing the Board's gender diversity, the Nominating Committee embarked on an extensive exercise in 2018 to expand the pool of potential candidates by identifying women professionals.											
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>													
Measure	:	<p>The Board had on 1 April 2018, re-organised its Board composition, mainly to comply with the practices in the Malaysian Code on Corporate Governance.</p> <p>Following the re-organisation, the percentage of women Directors has increased to approximately 36.4% of the total Board of QL (excluding the Alternate Directors), as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Gender</th> </tr> <tr> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>7</td> <td>4</td> </tr> <tr> <td>Percentage (%)</td> <td>63.64</td> <td>36.36</td> </tr> </tbody> </table> <p>In the meantime, the Board had also in July 2018, reviewed the Board Diversity Policy to include the Board's aim to reinforce its 30% women Directors on the Board.</p>		Gender		Male	Female	Number of Directors	7	4	Percentage (%)	63.64	36.36
	Gender												
	Male	Female											
Number of Directors	7	4											
Percentage (%)	63.64	36.36											
Timeframe	:	Completed											

Intended Outcome

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

Practice 4.6

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In identifying the most suitable candidates for appointment of Directors to the Board, the Nominating Committee ("NC") will rely on various sources of recommendations from existing Board Members, Management or major shareholders as well as other networks.</p> <p>On the recent nomination and appointment of Ms. Kow Poh Gek, Ms. Chan Wai Yen and Ms. Cynthia Toh Mei Lee as new Independent Non-Executive Directors of QL, the NC nominates the candidates and subsequently recommends the shortlisted candidates to the Board upon assessing the fitness and propriety of the nominees to act as Directors/Board Committee members.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board and NC are committed to pursue a variety of sources besides its own network, bearing in mind the industry in which QL operates in, for succeeding recruitment to the Board.
Timeframe	:	Ongoing

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee (“NC”) consists entirely of Non-Executive Directors, all of whom are independent. In financial year ended 31 March 2018, the NC was chaired by YM Tengku Dato’ Zainal Rashid bin Tengku Mahmood. During his tenure, he led the succession planning, appointment of Board members and annual review of Board effectiveness. Together with NC member, he undertook the following:</p> <ul style="list-style-type: none"> • oversee matters relating to the nomination of new Directors, annually review the required size and the required mix of skills, experience, assessment of Independent Directors, review succession plans and boardroom diversity; • oversee training courses for Directors and other requisite qualifications of Directors; and • annual assessment of the effectiveness of the Board as a whole, its Committees and the performance, commitment, ability and contribution of each individual Director. <p>Following the re-organisation of the Board composition and Board Committees on 1 April 2018, YM Tengku Dato’ Zainal Rashid bin Tengku Mahmood retired as Chairman of NC and Mr. Chieng Ing Huong, Eddy was appointed.</p> <p>In addition to the above, more specific functions of the NC are set out in the Terms of Reference of the NC, which is available in the Board Charter and is accessible on QL’s website at http://ql.com.my/corporate-governance.html .</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board with assistance from the Nominating Committee (“NC”) undertakes to carry out a formal and objective annual evaluation to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each Audit Committee member.</p> <p>Each Director evaluates the performance of the Board and conducts a peer assessment of the other Directors. Each Board Committee member evaluates their respective Board Committee, while each Audit Committee member conducts a peer assessment of the other Audit Committee members.</p> <p>Upon completion of the evaluation form by each Director and Board Committee member, they shall submit their assessment to the Secretary of NC, who will summarise the findings for submission to the NC. The NC will subsequently evaluate the assessment prior to its reporting and presentation to the Board.</p> <p>The NC also assesses the independence of Directors annually and focuses beyond the Independent Director’s background, economic and family relationships to consider whether the Independent Director can continue to bring independent and objective judgment to Board deliberations. Based on the criteria specified in the Malaysian Code on Corporate Governance and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), a Director is considered independent if he/she:</p> <ul style="list-style-type: none">• has fulfilled the criteria under the definition of Independent Director pursuant to the MMLR;• has ensured effective check and balance in the proceedings of the Board and the Board Committees;• has actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board;• has consistently challenged Management in an effective and constructive manner;

	<ul style="list-style-type: none"> • has kept a distance from Management in overseeing and monitoring execution of strategy; • has not been engaged by the Company as an adviser under such circumstances as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Securities”) or is not presently a Director (except as Independent Director) or major shareholder of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by the Bursa Securities; • has not engaged in any transaction with the Company (including transaction of assets and services, joint ventures, financial assistance etc.) under such circumstances as prescribed by the Exchange or is not presently a Director (except as Independent Director) or major shareholder of a firm or corporation which has been engaged in any transaction with the Company under such circumstances as prescribed by the Bursa Securities; • has not received any performance-based remuneration or share-based incentives from the Company, its subsidiaries, holding company or any of its related corporations; and • has no other material relationship with the Company, either directly or as a partner, shareholder, director or officer of an organisation that has a material relationship with the Company. <p>The NC upon its annual assessment carried out for financial year 2018, was satisfied that:</p> <ul style="list-style-type: none"> • the size and composition of the Board is optimum with an appropriate mix of knowledge, skills, attributes and core competencies; • the Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the Company’s operations; • all the Directors continue to uphold the highest governance standards in their conduct and that of the Board; • all the members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective depth of knowledge, skills and experience and their personal qualities; • the Independent Non-Executive Directors comply with the definition of Independent Director as defined in the MMLR; and • the Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company as reflected by their attendance at the Board meetings and Board Committee meetings. <p>The Board shall appoint independent experts to facilitate evaluations of the Board on a periodic basis.</p>
Explanation for departure	

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

Intended Outcome

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

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

Practice 6.1

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

Application	: Departure
Explanation on application of the practice	:
Explanation for departure	: <p>The Board has in place policies and procedures to determine the remuneration of Directors. The policy on Directors' remuneration practiced by QL is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of QL. The remuneration packages of the Executive Director ("ED") are structured to be commensurate with the experience, knowledge and professional skills of the ED and are also structured so as to link rewards with corporate and individual performance.</p> <p>In this regard, the Remuneration Committee ("RC") is tasked to review and recommend a remuneration framework for Directors as well as remuneration packages of ED and Non-ED of QL Group, prior to the Board's approval. The framework shall:</p> <ul style="list-style-type: none"> (a) support the Group's strategies and long term vision; and (b) provide the motivational incentives to EDs, taking into consideration factors such as best practices, stakeholders' view and the market at large and the performance of the individual. <p>Besides this, the RC also takes into consideration information by independent consultants and survey results on the remuneration practices of comparable companies, including its financial performance in determining the remuneration packages of its Directors.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	: Following the latest MCCG requirement to have the policy available on the website, QL has established a remuneration policy for Directors and Senior Management, which had been approved by the Board in July 2018. The policy is now available on QL's website.
Timeframe	: Completed

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has established a Remuneration Committee ("RC") which comprises a majority of Non-Executive Directors.</p> <p>The Board is satisfied that the RC has effectively and efficiently discharged its roles and responsibilities with respect to its remuneration functions, including but not limited to, formulating or reviewing the remuneration policies, basis and remuneration for all Directors of the Group.</p> <p>As mentioned under Practice 6.1 of this report, the RC particularly assists the Board in recommending to the Board the remuneration framework and the remuneration packages of Executive Directors and Non-Executive Directors of QL Group. Based on the annual performance assessment undertaken on the Directors, the RC will recommend to the Board specific adjustments in remuneration and/or reward payments if any, reflecting their contributions for the year; and which are competitive and consistent with QL's objectives, culture and strategy.</p> <p>None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors, with individual Directors abstaining from making decisions in respect of their individual remuneration.</p> <p>Terms of Reference of the RC describes the roles and responsibilities in relation to the remuneration matters is stipulated in the Board Charter,</p>

	<p>which is available in QL's corporate website at http://ql.com.my/corporate-governance.html .</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	<p>The Board has re-organised its Board composition and Board Committees with effect from 1 April 2018. Subsequent to the re-organisation, the composition of the RC is made up exclusively of Independent Non-Executive Directors.</p> <p>In addition, the Terms of Reference of the RC has been amended to align with the terminology of key management personnel with MCCG's definition of "Senior Management" .</p>
<p>Timeframe</p>	<p>:</p>	<p>Completed</p>

Intended Outcome

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

Practice 7.1

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

Application :	Applied						
Explanation on application of the practice :	The remuneration breakdown of individual Directors which includes fees, salary, bonus, benefits-in-kind and other emoluments for the financial year 2018 is set out below:						
	Executive Director	Salary (RM'000)	Bonus (RM'000)	Directors' Fees (RM'000)	Other Emoluments (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
	Dr. Chia Song Kun	1,367	1,793	201	2	31	3,394
	Mr. Chia Song Kooi	875	877	184	-	33	1,969
	Mr. Chia Seong Pow	681	593	168	2	21	1,465
	Mr. Chia Seong Fatt	706	921	184	-	13	1,824
	Mr. Chia Song Swa	526	507	108	-	39	1,180
	Mr. Chia Mak Hooi	529	612	98	-	24	1,263
	Mr. Cheah Juw Teck	564	683	132	1	-	1,380
	Mr. Chia Lik Khai	489	228	84	35	10	846
	Non-Executive Director						
	YM Tengku Dato' Zainal Rashid bin Tengku Mahmood	-	-	96	3	-	99
	Mr. Chieng Ing Huong, Eddy	-	-	108	3	-	111

	Mr. Tan Bun Poo, Robert	-	-	78	3	-	81
	Prof. Datin Paduka Dato' Dr. Aini binti Ideris	-	-	78	2	-	80
	<p>Note:</p> <ul style="list-style-type: none"> • <i>Directors' fees include amounts received from QL and its subsidiaries.</i> • <i>Other emoluments include meeting allowance and traveling allowance received from QL and its subsidiaries.</i> • <i>Benefits-in-kind include car, private mileage, petrol and driver received from QL and its subsidiaries.</i> 						
Explanation for departure :							
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>							
Measure :							
Timeframe :							

Intended Outcome

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

Practice 7.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The five (5) Executive Directors on the Board namely Dr. Chia Song Kun, Mr. Chia Song Kooi, Mr. Chia Seong Fatt, Mr. Chia Seong Pow and Mr. Cheah Juw Teck also occupy the offices of the top five (5) Senior Management of QL. By virtue of the application of Practice 7.1, the Company has simultaneously applied Practice 7.2.</p> <p>The detailed remuneration of the five (5) Executive Directors cum top five (5) Senior Management is disclosed under the explanation of Practice 7.1.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the financial year ended 31 March 2018, the Audit Committee ("AC") comprised four (4) members who are Independent Non-Executive Directors, as follows:</p> <ul style="list-style-type: none">• YM Tengku Dato' Zainal Rashid bin Tengku Mahmood (Chairman/Independent Non-Executive Director)• Chieng Ing Huong, Eddy (Member/Independent Non-Executive Director)• Tan Bun Poo, Robert (Member/Independent Non-Executive Director)• Prof. Datin Paduka Dato' Dr. Aini binti Ideris (Member/Independent Non-Executive Director) <p>YM Tengku Dato' Zainal Rashid bin Tengku Mahmood was the Chairman of the Board as well as the Chairman of the AC.</p> <p>The AC is guided by its Terms of Reference ("TOR"), of which its composition, quorum, frequency of meeting as well as the specific functions and authority are set out under the TOR. A copy of the TOR is available in the Board Charter and is accessible on QL's website at http://ql.com.my/corporate-governance.html.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>The Board had on 1 April 2018, re-organised the composition of the AC. The existing composition of the AC is as follows:</p> <ul style="list-style-type: none">• Chieng Ing Huong, Eddy (Chairman/Senior Independent Non-Executive Director)

	<ul style="list-style-type: none"> • Tan Bun Poo, Robert (Member/Independent Non-Executive Director) • Prof. Datin Paduka Dato’ Dr. Aini binti Ideris (Member/Independent Non-Executive Director) • Kow Poh Gek (Member/Independent Non-Executive Director) <p>Mr. Chieng Ing Huong, Eddy is not the Chairman of the Board.</p>	
Timeframe	:	Completed

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Although QL has yet to adopt this policy during its financial year 2018, QL did not consider any former key audit partner as a candidate for appointment as a member of the Audit Committee ("AC"). However, QL took cognizance of this policy and has adopted the measure as explained below.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board had in July 2018 approved the incorporation of the policy in the Terms of Reference of the AC, that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.
Timeframe	:	Completed

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>QL, through the Audit Committee ("AC"), has put in place policies and procedures to assess the suitability, objectivity and independence of the external auditors, as well as policy governing the circumstance under which contracts for provision of non-audit services can be entered into by the external auditors. These policies and procedures are stated in the AC's Terms of Reference.</p> <p>The AC discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the AC to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.</p> <p>In addition, the AC also meets with the external auditors without the presence of the Executive Directors and Management twice in the financial year 2018, to review on any concerns/issues affecting their audit, including the level of cooperation rendered by Management relating to their access to financial information and accounting records. Such meeting/engagement with the external auditors would enable the AC to evaluate its suitability, objectivity and independence.</p> <p>Annually, the AC reviews and evaluates all issues in relation to appointment or re-appointment, resignation or dismissal of external auditors to ensure that their independence and objectivity as statutory auditors are not compromised. In this regard, the external auditors had in an AC meeting held on February 2018, declared its independence throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of QL for the financial year 2018.</p> <p>A more detailed activities of the AC during the financial year 2018, including the evaluation of the independent audit process, are set out in the AC Report of QL's 2018 Annual Report.</p>
Explanation for departure	:	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises wholly of Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All members of the Audit Committee ("AC") are equipped with skill, knowledge and experience from various industries, including accounting expertise. Coupled with their vast working experience, the AC members are financially literate and are able to understand matters under the purview of the AC.</p> <p>The AC, together with the external auditors, review the integrity and reliability of the quarterly financial statements and audited financial statements prior to recommending the same to the Board. Such review including the appropriateness of the accounting policies applied, its changes and impact as well as the significant judgements and assumptions made by the Management affecting the financial statements and conformance with the approved accounting standards and compliance with the regulatory requirements.</p> <p>The Board, through the Nominating Committee, reviews the terms of office of the AC members and assesses the performance of the AC and its members at least once in a financial year. Through an annual Board Committee effectiveness evaluation undertaken in the financial year 2018, the Board is satisfied with the AC's performance and concurred that they have carried out their duties in accordance with the Terms of Reference of the AC with their contribution to the overall effectiveness of the AC.</p> <p>The AC members are encouraged to attend at least one (1) training in a financial year to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules. During the financial year 2018, all of them attended various training programmes, seminars and briefings, details of which are set out in Practice 1.4 of this CG report.</p>

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

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers in making disclosures concerning the main features of the risk management framework and internal control system of the Group pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, to ensure that there is an on-going process of identifying, evaluating, and managing significant business risk exposure.</p> <p>The Group's ERM framework aims to facilitate the execution of strategic business action to achieve the Group's vision of being a preferred global agro based enterprise, by implementing relevant controls or translating the principal risks of the business into upside opportunities.</p> <p>There is an on-going review process by the Board to ensure the adequacy and integrity of the risk management and internal control system in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.</p> <p>However, the Board recognises the review of the Group's system of risk management and internal controls is a concerted and continuous process, designed to manage rather than eliminate the risk of failure to achieve business objectives. As such, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.</p> <p>The Board has received assurance from the Executive Committee that the Group's risk management and internal control system is adequate and operates effectively, in all material aspects. During the financial year 2018, the Executive Committee consists of the Group Managing Director, Deputy Managing Director and the head of business units.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is fully committed to ensure the existence of an effective risk management and internal control system within QL Group, and continuously reviews and evaluates the adequacy and integrity of these systems. However, the Board recognises that such systems are designed to manage and reduce risks identified to acceptable levels.</p> <p>Therefore, the internal controls implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.</p> <p>Whilst the overall responsibility for the Group's risk management and internal controls system is with the Board, the Board has delegated the implementation of these internal controls system to the Management.</p> <p>Management is accountable to the Board for risk management and internal control and has implemented processes to identify, evaluate, monitor and report risks and to design and implement relevant controls in response to the risks. In this regard, Risk Management Unit ("RMU") and Risk Management Committee ("RMC") have been established at the Group. The Terms of Reference of RMU and RMC, among others, are:</p> <ul style="list-style-type: none">• Identify and communicate to the Board, the critical risks that the Group faces, whether present or potential, their changes and the Management action plans to manage these risks;• Perform risk oversight and review risk profiles of the Group and monitor organisational performance; and• Provide guidance to the business units on the Group's and each business unit's risk appetite and capacity. <p>The Group has a Risk Management Department ("RM"), led by the Group Risk Management Manager. The RM facilitates and supervises the implementation of the ERM framework and processes by the respective business units. The RM reports functionally to the RMU and RMC.</p>

	Taking into consideration the assurance from the RMU and RMC, the Board is of the view that the risk management and internal control system of QL Group is satisfactory and adequate to safeguard shareholders' investment and the assets of QL Group.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management Committee ("RMC") was established by the Board in November 2017 and comprises seven (7) members, majority of whom are Independent Non-Executive Directors.</p> <p>The RMC is tasked by the Board to identify and implement the appropriate systems for overseeing the Group's principal risks, including establishment of an effective risk management and internal control framework. The composition, authority as well as the duties and responsibilities of the RMC are set out under its Terms of Reference, which has duly approved by the Board and the same is attached in QL's Board Charter.</p>

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee (“AC”) was established on 15 January 2000 by the Board of Directors and the internal audit function has been outsourced to an independent professional consulting firm.</p> <p>To ensure that the internal audit function is effective and is able to function independently, the AC has carried out the following:</p> <ul style="list-style-type: none">• The AC reviewed the performance of its outsourced internal audit function including appointment or termination of the outsourced internal audit firm.• Whether internal audit personnel were free from any relationships or conflict of interest, which could impair the objectivity and independence.• Checked the number of resources in the outsourced internal audit firm, name and qualification of the person responsible for internal audit.• Reviewed the internal audit function and that it was carried out in accordance with a recognised framework.• Ensured that QL Group has adequate procedures and processes in relation to Related Party Transactions and Recurrent Related Party Transactions.• Brought its view on Related Party Transactions to the Board.• Reviewed any conflict of interest situation that may arise within the Group.• Reviewed the overall risk profile of the Group’s risks, the significant risks and to provide guidance on the action plan to address the identified risks and report to the Board.• Report to the Exchange, in the event of any breaches of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which have not been satisfactorily resolved. <p>Report to the Board on the AC’s activities, issues and related recommendations. The report of the AC should be a permanent agenda of Board meetings.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>QL Group has outsourced its internal audit function to an independent professional consulting firm, Deloitte Enterprise Risk Services Sdn. Bhd. (“D&T ERS”) and together with the Group’s designated Risk Management Manager, they are tasked to provide assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal control systems and risk management processes in QL and its subsidiary companies.</p> <p>D&T ERS provides QL Resources Berhad (“Company”) with internal audit services. Prior to the internal audit engagement, D&T ERS has performed conflict checks via Deloitte Conflict Checking System (“DCCS”). DCCS was developed on the premise that there is a commercial advantage for Deloitte services to be gained in the competitive marketplace from increased efficiency and capacity to accept and win business. This advantage is gained along with a simultaneous reduction in the risk of placing or continuing to transact business with QL Group where a conflict of interest exists. Such a conflict of interest might expose Deloitte Touche Tohmatsu Limited and/or the member firms to litigation, loss of business, damage to client relationships, damage to the Deloitte brand or reputation, increased regulatory scrutiny, and/or regulator fines.</p> <p>The Internal Audit team:</p> <p>Cheryl Khor has sixteen (16) years of experience covering financial and operational audits as well as governance, controls and risk assessments. Cheryl leads Deloitte’s risk consulting practice in Malaysia. She has been the engagement partner for numerous internal audits, QARs, controls review, compliance reviews, process improvements of financial institutions, listed companies and multi-national companies.</p> <p>Cheryl has served government linked companies and regional MNCs in a broad range of industry sectors including infrastructure, healthcare, construction, property development, asset management and consumer business. She also led and managed various regional process-oriented</p>

projects in the Far East region. Prior to joining Deloitte, Cheryl was a Director in the assurance division of a Big Four firm in Malaysia.

Qualifications & professional affiliations:

- Bachelor of Advanced Mathematics;
- Member, Malaysian Institute of Accountants (“MIA”); and
- Member, Malaysia Institute of Certified Public Accountants (“MICPA”).

Nickson Choo is an Accounting graduate from University of Malaya and has over twenty-four (24) years of corporate and professional experience. He started his career in the Internal Audit function of a Fortune 1000 insurance company and has over twelve (12) years of insurance experience working in several life and general insurance companies in various operational positions. Nickson has also worked in two (2) leading mid-size professional firms and was responsible for leading and managing the risk advisory services.

His diverse professional experience includes performing GST project implementation, project management, operational audits, information technology (IT) audits, corporate governance advisory, operational risk and control reviews, fraud investigations and business process improvement reviews of public-listed and multinational companies operating in various industries including manufacturing, plantations, trading, hotels, construction, financial institutions and investment holding.

Qualifications & professional affiliations:

- Bachelor of Accounting, University Malaya;
- Member of the Association of Certified Fraud Examiners (“ACFE”) and a Certified Fraud Examiner (“CFE”);
- Member of the MIA;
- Certified Information Systems Auditor (“CISA”);
- Certified in Risk & Information Systems Controls (“CRISC”); and
- Governor & Chartered Member of the Malaysian Institute of Internal Auditors (“CMIIA”).

Fazlin Ilhan is a Director with the Risk Consulting Services practice of Deloitte. She has seventeen (17) years of working experience in listed manufacturing multi-national corporations and public listed companies in trading, fast moving consumer goods, third party logistics provider, facility management, education, property development and construction. Her key area of expertise includes internal audit and risk assessment. With her experience, she has been able to successfully assist clients in improving their internal control, operational processes and risk profiles.

During her time in Deloitte, Fazlin has also been exposed to internal audit Quality Assurance Reviews (QAR). Through the further expansion

of her experience, she has been able to hone additional expertise in reviewing, assessing and improving clients' own internal audit functions in terms of compliance with IIA standards. She has a proven track record in assisting clients in the manufacturing, trading, fast moving consumer goods, third party logistics provider, ICT, facility management, education, property development and construction industry to improve their internal control environment.

She was the Engagement Manager for numerous internal audits for large multinational corporations and public listed corporations, government and statutory bodies and private limited companies.

Prior to joining Deloitte, she was a Manager in another Big Four firm with experience in the areas of internal audit and risk assessment as well as financial auditing.

Qualifications & professional affiliations:

- Bachelor of Science, Accounting and Finance (Hons);
- FCA, Institute of Chartered Accountants for England and Wales ("ICAEW"); and
- Certified Quality Assurance Assessor, Institute of Internal Auditors ("IIA").

Michelle Lew has more than eight (8) years of working experience in Financial Audit, Internal Audit, Operational Audit, Policies and Procedures Development, SOX Design and Compliance review, Enterprise Risk Management, and other enterprise risk related services. Michelle has individually performed and worked collectively to provide risk consulting services in various business sectors and industries including property and real estate development, retail and mall, hospitality, and manufacturing and trading.

The responsibilities undertaken by Michelle include organizing and executing assignments, designing and executing tests to evaluate control effectiveness, preparing and finalizing project deliverables and delivering recommendations and solutions to enhance the effectiveness of organization's or client's operations.

Qualifications & professional affiliations:

- Bachelor of Accounting (Hons); and
- Associate Member of The Institute of Internal Auditors Malaysia ("AIIA").

D&T ERS has a head count of two hundred (200) staff, a solid bench strength of internal auditors to service QL Group and build value.

The internal audit services are performed in accordance with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (the "IIA Standards").

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

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>QL recognises the importance of communicating with its shareholders and does this through various platforms including the Annual Report, Annual General Meeting ("AGM") and announcements via Bursa Malaysia Securities Berhad ("Bursa Securities").</p> <p>In addition to the above, QL has also set up a website to enable an active dialogue with its investors and shareholders with the intention of giving investors and shareholders as a clear and complete picture of QL's performance and position as possible. QL via its website, includes a Corporate Governance section which provide policies of QL, Board Charter and Terms of Reference of the Board Committees, as well as minutes of general meetings and slide presentations made at such meetings, for stakeholders' better understanding of QL.</p> <p>Furthermore, QL's investor relations activities serve as an important communication channel with shareholders, investors and the investment community, both in Malaysia and internationally. The stakeholders are encouraged to channel their concerns to the Investor Relations personnel ("IR") whose name, contact number and e-mail address are provided on page 7 of the QL's 2018 Annual Report. Besides this, a dedicated section for IR function is allocated in the QL's website. This section includes all announcements made by QL to Bursa Securities, share price information, financial information and annual reports.</p> <p>Additionally, a press conference is held immediately after the AGM where the Group Managing Director advises the press of the resolutions passed, and answers questions on the Group. The Chairman and the Executive Directors are also present at the press conference to clarify and explain any issue.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Whilst some elements of integrated reporting have been embodied in QL's 2017 Annual Report such as qualitative sustainability indices contained in the Sustainability Statement of the Company, on the whole it is not an integrated report based on the parameters set out by the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework.</p> <p>The 2017 Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects which are contained in the Management Discussion and Analysis, Corporate Governance Statement and Statement on Risk Management and Internal Control.</p> <p>The Board would like to allow an advocacy period for the awareness of integrated reporting by Management before it is adopted. At present, the Board is of the view that QL's Annual Report is comprehensive enough for stakeholders to make informed decisions.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	QL will consider adopting an integrated reporting based on a globally recognised framework.	
Timeframe	:	Others	Within 5 years.

Intended Outcome

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

Practice 12.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The notice of the 20th Annual General Meeting (“AGM”) of QL dated 28 July 2017 was issued to shareholders 27 days prior to the AGM held on 25 August 2017, well in advance of the 21-day requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This provides the shareholders with sufficient time to consider the resolutions that will be discussed and decided at the AGM.	
		The notice of AGM outlines the resolutions to be tabled in the AGM together with explanatory notes and background information to enable the shareholders to make informed decisions in exercising their voting rights.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The notice of the 21st AGM shall be issued to shareholders twenty-eight (28) days prior to the date of the AGM to be held on 28 August 2018.	
Timeframe	:	Completed	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors attended QL's 20th Annual General Meeting ("AGM") held on 25 August 2017. Apart from Directors, Senior Management and external auditors also attended the AGM.</p> <p>At the beginning of the AGM, the Group Managing Director was invited by the Chairman to give the presentation of QL Group's businesses and outlook, which covered the following areas:</p> <ul style="list-style-type: none">a) Performance review of FY2017 vs FY2016;b) Past financial trend & summary;c) Significant operational highlights for FY2017;d) Summary of 1st quarter earnings results: Q1FY18 vs Q1FY17; ande) Overall outlook for FY2018. <p>Thereafter, QL's Head of Financial Reporting & Investor Relations also shared with the shareholders QL's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.</p> <p>During the AGM, shareholders were given the opportunity to raise questions on the Group's activities and prospects as well as to communicate their expectations and concerns to QL. Appropriate answers and/or clarifications were provided by the Board members, Committee Chairman or Senior Management in order to allow the members to make informed voting decisions at the meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>QL conducted poll voting on all the resolutions proposed at its 20th Annual General Meeting in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The votes were cast by way of e-voting and the results were validated by Messrs. Deloitte Enterprise Risk Services Sdn. Bhd., the independent scrutineer appointed by QL.</p> <p>The Scrutineer upon verification of the poll results, announced the results for the resolutions to be included votes in favour and against, upon which the Chairman of the Meeting declared whether the resolutions were carried. The poll results were also announced by the Company via Bursa LINK on the same day for the benefit of all shareholders.</p> <p>Furthermore, the general meetings of QL are always held in a centrally located and easily accessible venue with ample modes of public transport to enable shareholders to reach the meeting venue easily. Shareholders who prefer to drive to the venue are given free parking which are sufficient and easily accessed.</p> <p>Although QL has always conducted its general meetings at one (1) venue only, QL will be seeking shareholders' approval on the proposed new constitution to allow general meetings to be convened at more than one (1) venue using any technology or method that enables the shareholders to participate and to exercise their rights to speak and vote at the meeting in accordance with Section 327(1) and (2) of the Companies Act 2016.</p> <p>In view of the above, the Board will continue to monitor developments in the market in respect of new technologies to facilitate the conduct of meetings remotely and may consider implementing the same in the future if there is a strong case for change.</p>

	As an alternative to the recommended practice, shareholders who are unable to attend general meetings may in accordance with the relevant provisions of the Articles, appoint their respective proxies to attend and vote in their stead at all general meetings of QL.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	QL will be exploring the appropriate measures to facilitate greater participation by shareholders in QL's general meetings by leveraging on technology.
Timeframe	:	Others In the meantime, QL will continue to explore and consider the guidance in the Malaysian Code on Corporate Governance for remote shareholders' participation and voting in absentia.

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

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

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