

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5908
COMPANY NAME : DKSH HOLDINGS (MALAYSIA) BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Board Charter and its responsibilities are included in the Board Charter which is available on DKSH Holdings (Malaysia) Berhad's (DKSH) website at www.dksh.com.my</p> <p>The Board is responsible for the overall corporate governance of the Group and is also entrusted with the responsibility of exercising reasonable care for the Company as well as the Group's resources in enhancing the shareholders' long-term value while taking into account all stakeholders.</p> <p>To enable the Board to fulfil its duties effectively whilst enhancing business and operational efficiency, the Board delegates certain responsibilities to two Committees, namely:</p> <ul style="list-style-type: none">• Audit Committee (AC); and• Nominating Committee (NC). <p>All Committees have clear written terms of reference and the Board receives reports of their proceedings and deliberations. The Chairman of the two Committees will report to the Board the outcome of their meetings and the reports are incorporated in the minutes of the Board meeting.</p> <p>To operate effectively in a dynamic environment, the Board's responsibilities are delegated to the Management of the Company headed by the Group Finance Director. Through the Group Finance Director, the Management is responsible for broad aspects of the day-to-day operations of the Company including financial stewardship and compliance to laws, regulations, policies and procedures. In this regard, the Management is accountable to the Board for the overall functions and activities of the Company amongst others the implementation of the policies and strategies as approved by the Board and as guided by regulatory requirement as well as industry best practices.</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>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at www.dksh.com.my</p> <p>The Non-Executive Chairman leads the Board by setting the tone at the top, and managing the Board's effectiveness by focusing on strategy, governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective Terms of Reference to ensure its own effectiveness.</p> <p>The Chairman sets the pace of the meeting and leads the discussions in an effective manner. The good leadership of the Chairman is acknowledged by the above average rating by the Board members via the Self and Peer Assessment in the annual Board Effectiveness Evaluation.</p> <p>The Chairman leads the Board by ensuring that the company adheres to all e relevant laws and regulations as well as monitors its good corporate and best practices from Bursa Malaysia Securities Berhad.</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	:	Applied	
Explanation on application of the practice	:	<p>The Company does not have a CEO. However, the Group Finance Director, who is also an Executive Director, bears overall responsibilities for the Group's operational and Business Units organization effectiveness. The Group Finance Director, assisted by the Management team, is responsible for the Management of the Group's business.</p> <p>The positions of Chairman and Group Finance Director are held by different individuals. The distinct and separate roles and responsibilities of the Chairman and Group Finance Director are provided in the Board Charter, which is available on the Company's website at www.dksh.com.my</p> <p>There is a clear division of responsibilities between the Chairman and the Group Finance Director to ensure balance of power and authority.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>Both Company Secretaries are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016. Both are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretaries ensure that all the regulatory requirements are met. The Company Secretaries provide governance advice, ensure adherence to rules and procedures and advocate adoption of corporate governance best practices.</p> <p>All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretaries, who are responsible for ensuring that Board meetings' procedures are followed and that all applicable rules and regulations are complied with.</p> <p>The Board is also regularly informed by the Company Secretaries on updates to the regulations and guidelines, as well as any amendments thereto issued by Bursa Malaysia Securities Berhad, Securities Commission, Companies Commission of Malaysia and other relevant regulatory authorities.</p> <p>The Company Secretaries constantly keep themselves abreast of the regulatory changes and developments in corporate governance through attendance at relevant training programs. They have also attended the relevant continuous professional programs as required by MAICSA for practicing company secretaries.</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

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>In order to facilitate the time management of Directors, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board, Board Committees, private meetings with external auditors and the Annual General Meeting.</p> <p>The Board has full and timely access to information with Board papers distributed in advance of meetings, no later than five (5) days prior to the meeting, to enable the Directors to have sufficient time to review the Board papers.</p> <p>During the year under review, the Board implemented paperless meetings for all Board and Board Committee meetings to support the green initiative. All board papers are electronic and are viewed using tablets.</p> <p>The deliberations and decisions at Board and Board Committee meetings are documented in the minutes, including matters where Directors abstained from voting or deliberation. The Company Secretary will communicate the Board decisions to the Management for appropriate actions to be taken. The Company Secretary follows up with the Management on status of actions taken or to be taken for updating the Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is mindful of the need to protect the interests of its shareholders and stakeholders. To discharge its duties effectively, the Board is guided by its Board Charter which sets out the roles and responsibilities of the Board. The Board Charter is reviewed and amended as necessary to be aligned with current circumstances, the Company's policies and applicable rules and regulations.</p> <p>The last review was carried out in August 2017. The Board Charter is accessible on our website at www.dksh.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board established a corporate culture which ensures that ethical conduct is permeated throughout the Company. The Company's Code of Conduct which is complimented by Group Policies and Guidelines, clearly express the Company's expectations as an employer and provides detailed guidance to employees on expected business and ethical behaviour. The Code of Conduct provides an internal reporting process for events of non-compliance and this is available on the Company's website at www.dksh.com.my
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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	:	The Group has made available in 2016, a fraud/non-compliance platform for such matters to be reported by employees and others to Management. Genuine and legitimate concerns can be raised via e-mail to myethics@dksh.com Employees who speak up in good faith are protected, as the Group does not tolerate any form of retaliation against employees for speaking up.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board comprises six (6) Directors, i.e. one (1) Non-Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors including a Senior Independent Non-Executive Director and two (2) Non-Independent Executive Directors of which one is also the Group Finance Director.</p> <p>All the three (3) Independent Non-Executive Directors satisfy the independence test under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They constitute of 50% of the Board.</p> <p>All the Independent Non-Executive Directors have confirmed that they have no family relationship with any director and/or major shareholder of DKSH, no conflict of interest with DKSH nor any convictions for offences within the past five (5) years other than traffic offences. This confirmation enabled the Board/Nominating Committee to assess the Directors' independence and their interests or relationships with DKSH.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board recognizes that diversity is one of the key drivers to enhance Board effectiveness as diversity broadens the knowledge and expertise through different insights and perspectives.</p> <p>The Board sets out its expectations on the character, knowledge, experience, integrity, competence and time commitment for new appointments to the Board. As recommended by the Nominating Committee, a Board Diversity Policy was adopted in 2015, taking into account the provisions under the Code. The Board Diversity Policy defines the diversity attributes and needs of the Board and the approach to address such needs as well as the process to strengthen its composition. The Board Diversity Policy plays an integral role in the selection of candidates for Board membership. Whilst the Board recognises and embraces the benefits of diversity, the Board believes in providing equal opportunities to all based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole.</p> <p>In February 2018, a board matrix detailing the qualifications, skills, experience and areas of expertise was developed and used to assist the analysis of the composition and requirements for the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board sets out its expectations on the character, knowledge, experience, integrity, competence and time commitment for its members and protocols when assessing new appointments.</p> <p>As recommended by the Nominating Committee, a Board Diversity Policy was adopted by the Board in 2015, taking into account the provisions under the Code. The Board Diversity Policy defines the diversity attributes and needs of the Board and the approach to address such needs as well as the process to strengthen its composition. The Board Diversity Policy plays an integral role in the selection of candidates for Board membership. Whilst the Board recognises and embraces the benefits of diversity, the Board believes in providing equal opportunities to all based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole.</p> <p>In February 2018, a board matrix detailing the qualifications, skills, experience and areas of expertise was developed and used to assist the analysis of the composition and requirements for the Board.</p> <p>The Board will continue to look out for suitable candidates for additional female directors in the Board.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	In identifying candidates for appointment as Directors, the Board does not solely rely on recommendations from the Nominating Committee, Board members, management or major shareholders. The Board may also rely on independent sources such as directors' registry to identify suitably qualified candidates.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Lee Chong Kwee, the current Chairman of Nominating Committee is a Senior Independent Non-Executive Director.</p> <p>The specific responsibilities of the Senior Independent Non-Executive Director are as set out in the Board Charter, which is available on the Company'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

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	:	The Nominating Committee (NC) carries out the assessment on the Board, Board Committees and each individual director annually.	
		Annual Evaluation	Assessment Criteria
		Directors' performance evaluation	<p>Section 1 - Board evaluation comprises 3 criteria namely Board mix and composition, Quality of information and decision making and Boardroom activities.</p> <p>Section 2 - Director Self/Peer Evaluation which comprises 4 criteria namely contribution to interaction, quality of input, understanding of role and Chairman's role.</p>
		Assessment on independence of INED	As prescribed under Paragraph 1.01 and Practice Note 13 of MMLR.
		Performance Evaluation for the AC	<p>Section 1 comprises 3 sections i.e. composition and duties, skills and competencies, and meeting administration and conduct.</p> <p>Section 2 comprises AC members' peer evaluation.</p>
<p>The results of the evaluation were tabled to the NC and the Board of Directors for their notification.</p> <p>The results of the assessment indicated that the performance of the Board, the Board Committees and the individual Directors during the review period had been good and they had been effective in their overall discharge of functions and duties. It was also indicated that there was no apparent weaknesses/shortcoming identified that warrants specific action plan to address the same.</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>As the Company is majority-owned by DKSH Switzerland, the remuneration of the Executive Directors is based on DKSH Switzerland's own world-wide remuneration policy and procedures which are set in line with international standards. Hence, the Board is of the opinion that a remuneration committee is not required. The Executive Directors' remuneration is established by evaluating the scope of their functions within the context of the Malaysian market, and the responsibilities and skills required to perform their roles successfully subject to the annual internal performance review. In addition, the remuneration of the Executive Directors is also directly linked to the achievement of actual financial results and financial key performance indicators of the Group.</p>	
		<p>The Board will look into establishing a Remuneration Committee to implement the policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and senior management in due course.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	As the Company is majority-owned by DKSH Switzerland, the remuneration of the Executive Directors is based on DKSH Switzerland's own world-wide remuneration policy and procedures which are set in line with international standards. Hence, the Board is of the opinion that a remuneration committee is not required. The Executive Directors' remuneration is established by evaluating the scope of their functions within the context of the Malaysian market, and the responsibilities and skills required to perform their roles successfully subject to the annual internal performance review. In addition, the remuneration of the Executive Directors is also directly linked to the achievement of actual financial results and financial key performance indicators of the Group.	
		The Board will look into establishing a Remuneration Committee to implement the policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management in due course.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on named basis for individual directors including fees, salary, bonus, benefits in-kind and other emoluments was made in the note 6 to the audited financial statements on pages 94 to 95 of the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	DKSH departs from the Practice 7.2 of the MCCG in view that there would be adverse implication on the senior management team in the event that the Company discloses the remuneration on named basis.	
		The Board is of the view that the disclosures of remuneration of the key management personnel on unnamed basis, which include the top five key management personnel, currently disclosed under Note 26 of the Audited Financial Statements for the financial year 2017 are adequate as it complies with the requirement of Paragraph 17 of MRFS 124 "Related Party Disclosures".	
		The disclosures in the Audited Financial Statements.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee, Lee Chong Kwee, a Senior Independent Non-Executive Director, is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	DKSH has always recognized the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the Audit Committee (AC). The Company will amend the Terms of Reference of the AC to reflect the requirements in Practice 8.1 of the Malaysian Code on Corporate Governance that <i>"Any former key audit partner must have observed a cooling-off period of at least 2 years before one is eligible for appointment as AC member"</i> .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	This practice has already been incorporated into the Terms of Reference of the Audit Committee and carried out annually for the re-appointment of external auditor prior the recommendation of the Board for approval by the shareholders at the annual general meeting.	
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	:	<p>The Audit Committee comprises only Independent Non-Executive Directors.</p> <p>Composition of Audit Committee of DKSH:</p> <table border="1"><thead><tr><th>Name</th><th>Designation</th></tr></thead><tbody><tr><td>Lee Chong Kwee</td><td>Chairman, Senior Independent Non-Executive Director</td></tr><tr><td>Datuk Haji Abdul Aziz Bin Ismail</td><td>Member, Independent Non-Executive Director</td></tr><tr><td>Chan Thian Kiat</td><td>Member, Independent Non-Executive Director</td></tr></tbody></table>	Name	Designation	Lee Chong Kwee	Chairman, Senior Independent Non-Executive Director	Datuk Haji Abdul Aziz Bin Ismail	Member, Independent Non-Executive Director	Chan Thian Kiat	Member, Independent Non-Executive Director
Name	Designation									
Lee Chong Kwee	Chairman, Senior Independent Non-Executive Director									
Datuk Haji Abdul Aziz Bin Ismail	Member, Independent Non-Executive Director									
Chan Thian Kiat	Member, Independent Non-Executive Director									

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	:	All Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including financial reporting processes. The qualification and experience of the individual Audit Committee members are disclosed in the Profile of Board of Directors in the Annual Report. All members of the Audit Committee go through continuous professional development to ensure that they are abreast with relevant developments in accounting and auditing standards, practices and rules. A summary of training programs, conferences and seminars attended by Audit Committee members during the financial year under review is set out on page 32 of the Annual Report.
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 acknowledges its responsibility and is committed in maintaining a sound system of internal control and risk management practice. However, such systems can only provide reasonable, but not absolute, assurance against material misstatements or losses.</p> <p>The Group has in place a risk management framework to promote effective risk management and enhance the corporate governance assurance process.</p> <p>The AC regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports provided by both the internal and external auditors. The AC also reviews the internal and external auditors' recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.</p> <p>The Statement on Risk Management and Internal Control which has been reviewed by the external auditors furnished on pages 47 to 49 in the Annual Report provides an overview of the state of risk management and internal control within the Group governed by the Risk Management Framework.</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 discloses the features of its risk management and internal control framework, the adequacy and the effectiveness of this framework which are set out in the Statement on Risk Management and Internal Control (“SORMIC”).</p> <p>The Board acknowledges its responsibility and is committed to maintaining a sound system of internal control and risk management practice. However, such systems can only provide reasonable, but not absolute, assurance against misstatements or losses.</p> <p>The Audit Committee regularly evaluates the adequacy and effectiveness of the Group’s internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports provided by both the internal and external auditors. The Audit Committee also reviews the internal and external auditors’ recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.</p> <p>The SORMIC which has been reviewed by the external auditors furnished on pages 47 to 49 in the Annual Report provides an overview of the state of risk management and internal control within the Group governed by the Risk Management Framework.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The internal audit function of the Company is effective and remains independent all the time. The internal audit function is set out in the SORMIC and Audit Committee Report. Internal Auditors report functionally to the Audit Committee and have unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluate the effectiveness of the risk management process, review the operating effectiveness of the internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference especially when there are pertinent points should any of the Board members wish to highlight or seek clarification.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The audit personnel are free from any relationships or conflicts of interest which could impair the objectivity and independence.</p> <p>Currently there are 4 persons in the internal audit department.</p> <p>The name and qualification of the person responsible for internal audit is Dominic Noel Choo Yu-Chai, Associate Member of IIA Malaysia (Membership No: 2000223), Bachelor Commerce (Accounting).</p> <p>The Internal Audit department carried out its work based on the Institute of Internal Auditor's (IIA) International Professional Practices Framework (IPPF).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company publishes immediately all the latest information/announcements through the Company's website under the "Investor Relations" section.</p> <p>The Annual General Meeting (AGM) is the principal forum for dialogues with shareholders. General meetings are important platforms for Directors and Senior Management to engage shareholders to facilitate greater understanding of the Company's business, governance and performance. Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at general meetings. Besides the normal agenda for the AGM, the Group Finance Director presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Board members, Senior Management and the Company's external auditors attend the AGM and are available to respond to shareholders' enquiries during the AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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	:	Not applicable as DKSH is not one of the large companies as defined in the MCCG.	
		Not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders.</p> <p>In this regard, the notice for the upcoming AGM in 2018 was provided to shareholders on April 24, 2018, at least 28 days before the meeting. This goes beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad which call for a 21-days' notice period for public companies or listed issuers, respectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the Company's 25 th AGM in 2017. The Chairman of the AC and the NC as well as Senior Management and the Company's external auditors attended the AGM and are available to give response if there are any questions addressed to them.	
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>DKSH does not have a large number of shareholders, did not hold meetings in remote locations in the past and does not intent to have meetings in remote locations in the future.</p> <p>The upcoming 26th AGM on May 23, 2018 will be held at Tropicana Golf & Country Resort which is accessible by public/private transport. The Company's AGM has been held within the capital city limits and not in remote location in the past.</p>
		Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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.

Refer to the attached disclosures pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia