

# STATEMENT ON CORPORATE GOVERNANCE

for the Financial Year ended 31 December 2016

The Malaysian Code on Corporate Governance 2012 (“the Code”) sets out the principles and best practices on structures and processes used to direct and manage the business and affairs of the Company towards enhancing corporate accountability, with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

The Board of Directors (“the Board”) of CCM Duopharma Biotech Berhad (“CCMD” or “the Company”) remains committed in its efforts to implement the principles and best practices set out in the Code. The adoption of good corporate governance is a fundamental part of the Board’s responsibility to protect and enhance shareholders’ value and to build sustainable business growth for the Company.

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the financial year ended 31 December 2016.

## PRINCIPLE 1

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

#### Recommendation 1.1

##### Clear Functions between the Board and Management

The Board retains full and effective control of the Company. This includes being responsible for the determination of the Company’s overall strategic directions as well as the development and control of the Company. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees, namely the Nomination and Remuneration Committee (“NRC”) and the Audit and Risk Management Committee (“ARMC”).

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as the approval of annual and quarterly financial results, acquisitions and disposals, the entering into of material agreements, major capital expenditure, short term and long term plans and strategies and succession planning for Senior Management are reserved for the Board. Each Board Committee has its terms of reference approved by the Board. These Board Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. The Chairmen of the Board Committees also present and report the key issues deliberated at the Committee level to the Board during Board meetings. The terms of reference, composition and activities of the Board Committees are set out in their respective sections in this Annual Report.

The Board maintains a close and transparent relationship with Management. Management is appropriately empowered with clear limits of authority to manage the business of the Company. The last review and refinements of the limits of authority was conducted in November 2015 to improve operational effectiveness and efficiencies. Many of the responsibilities of the Board are delegated to Management through the Chief Executive Officer. The Chief Executive Officer is accountable to the Board for the achievement of the Company’s corporate objectives which include performance targets and long term business goals.

The Chief Executive Officer routinely reports to the Board on the Company’s progress on achieving performance targets and long term business goals. The Chief Executive Officer also tables other reports and proposals and assurances as the Board considers necessary to confirm and ensure that the management authorities are being observed. The Board monitors the decisions and actions as well as the performance of the business to gain assurance that progress is being made towards the Company’s objectives within the limits it has imposed through the governance framework.

## Recommendation 1.2

### Clear Roles and Responsibilities

The Board assumes, among others, the following responsibilities:

(i) Review and Adopt the Strategic Plan of the Company

The Board plays an active role in the development of the Company's strategy. On an annual basis, the Board is presented with the short and long term strategy of the Company together with the Company's proposed business plans for the oncoming year. The Board conducts a quarterly review of the performance targets and long term goals of the business to ensure that the needs of the Company are consistently met. The Board is furnished with information relating to the running of the Company's operations through quarterly reports prepared by the Management. This allows the Board to better understand the operations and make decisions in steering the Company towards a profitable business.

The Board also reviews and approves the Company's annual budget for the ensuing year and sets the Key Performance Indicators ("KPIs") which supports the Company's strategy and business plan.

(ii) Oversee the Conduct of the Company's Business

The Board oversees the performance of Management to ensure that the Company's business is being properly managed. In this regard, the role of the Chief Executive Officer is critical to the performance of the Company to provide the leadership and realise the strategic vision of the Company. He is responsible for the day-to-day running of the business and operations of the Company including ensuring organisational effectiveness, implementing Board policies and strategies, and clarifying matters relating to the Company's business to the Board. His in-depth and intimate knowledge of the Company's affairs contributes significantly towards the direction taken by the Company to achieve its goals and objectives.

The Chief Executive Officer is supported by the Company's Management Committee and other committees established under the Company. These committees have their own specific terms of reference to ensure that the objectives and aspirations of the Company are met.

As check and balance, and to ensure independence, the Company draws on the services of CCM Group Risk Management Department ("GRMD") to provides the Board with a separate status report of enterprise risk on a quarterly basis. The CCM Group Internal Auditor also provides the assurance on the adequacy, efficiency and effectiveness of the internal control systems to the Audit and Risk Management Committee ("ARMC"), through issuance of the internal audit and investigation reports as well as quarterly reporting of significant audit issues.

(iii) Identifying Principal Risks and Ensuring the Implementation of Appropriate Internal Controls and Mitigating Measures

The Board, through the ARMC, determines the level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard the Group's businesses. In managing risks, the Board adopts the CCM Group Enterprise Risk Management ("ERM") Framework which is in compliance with the universally accepted standard, ISO 31000 for Risk Management. The Board has also adopted the CCM Group's Risk Management Policy to ensure that an effective risk management programme and control system is in place in order to facilitate the Company to meet all its business objectives. The CCM Group Enterprise Risk Management ("ERM") Framework and CCM Group's Risk Management Policy can be accessed on the Company's website.

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The internal control mechanism established by the Board is embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Group Internal Auditor to ensure its adequacy, effectiveness and integrity.

## (iv) Succession Planning

The Board has entrusted the Nomination and Remuneration Committee (“NRC”) with the responsibility to review and recommend to the Board, candidates for top management positions. The candidates go through rigorous assessment prior to being recruited to ensure that they have relevant skills and experience for the positions, and are a right fit for the Company. For the year under review, the NRC had deliberated and recommended to the Board the appointment of a new Chief Strategy Officer. The details on the incumbent can be found on page 41 of this report.

A talent management programme at the CCM Group level helps to ensure that the Company has sufficient talent bench strength to meet its future needs besides having a pipeline of successors for mission critical positions. The Company has identified at least eleven (11) employees throughout the organisation as its potential talents. These employees have undergone the appropriate training and are ready to take on new challenges as and when the need arises.

## (v) Oversee the Development and Implementation of a Shareholder Communication Policy

The Board values the dialogue with shareholders and appreciates the keen interest shown by shareholders of the Company's performance. A Shareholder and Investor Communication Policy sets out the guidelines for communication with the shareholders of the Company. The said policy can be accessed on the Company's website. As part of the Company's effort to enhance its shareholder and investor communication, the Company has participated in the CCM Group's investor relations programme which was held twice for 2016. This is also part of the Company's effort to keep its shareholders and investors updated with the latest development of the Group.

## (vi) Review the Adequacy and Integrity of the Management Information and Internal Control Systems

The Board is fully committed to maintain a sound system of internal control. The Board's responsibilities for the Company's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's system of internal control and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 81 to 84.

### **Recommendation 1.3**

#### **Formalise Ethical Standards Through a Code of Conduct and Ensure its Compliance**

The Company has in place a Directors' Code of Best Practice and a Code of Conduct for employees to govern the standard of ethics and good conduct expected of Directors and employees, respectively. The Directors' Code of Best Practice addresses, among other things, include matters relating to the duties and conduct as Directors, conflict of interests and conduct in meetings. The Directors are also required to submit annually a Directors' Confirmation Form to the Company, confirming their remuneration and benefits received, interest in shares and debentures and any related party transactions conducted with the Company.

The Company adopts the CCM Group's Code of Conduct (“Code of Conduct”) which commits the Company to ethical values and standards of conduct expected of the Company. It is based on CCM Group's vision, mission and core values and embodies the principles contained in various policies adopted by the CCM Group. The Code of Conduct provides guidance on the application of the Group's core values by the employees in conducting the Company's business and activities. The Code of Conduct covers, among other things, all aspects affecting the business operations such as confidentiality of information, dealings in securities, conflict of interest, gifts and gratuities, bribes and sexual harassment.

As part of best practices in good corporate governance, the Company adopts the CCM Group's Whistle-Blowing Policy ("Whistle Blowing Policy") to encourage employees to report any major concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice or dangers to the public or the environment. The Whistle Blowing Policy makes it clear that any such concern can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

Apart from the normal reporting of concerns to the Head of the Group Integrity and Assurance Department, the reporting channel as prescribed in the Whistle-Blowing Policy, namely the Whistle Blowing hotline (***ccmintegrity@gmail.com***), is made available to the employees and external parties.

The reports from the whistleblowers were treated with utmost confidentiality and were investigated. Results of the investigations were shared with the CCM Group Integrity Committee and Audit and Risk Management Committee of the Board.

The Integrity Unit, which was established at the CCM Group level in September 2013, is tasked to manage integrity issues within the organisation as well as to further enhance its good corporate governance practices and strengthen the ethical standards within the CCM Group. The Integrity Unit reports to the Audit and Risk Management Committee ("ARMC") and is responsible for, among other things, the following:

- Governance – to ensure the conduct of best practices in governance;
- Strengthen integrity – to ensure that integrity is inculcated into the Group's culture and is institutionalised in the actions of all employees;
- Detection and verification of wrongdoings – to detect and confirm the information/complaints on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics and to ensure that follow up actions are duly taken. The Integrity Unit is also responsible for reporting the criminal misconducts to the relevant enforcement agencies;
- Complaint management – to receive and take the necessary actions on all information/complaints received on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics;
- Compliance – to ensure compliance with laws and regulations; and
- Disciplinary actions – to carry out the secretariat function to the Disciplinary/Integrity Board.

In 2016, the Integrity Unit continued to provide briefings on Integrity Pacts to the suppliers of the organisation. Integrity Pacts were signed with them to enhance transparency in the procurement activities. The whistle-blowing hotline was also shared with the suppliers to enable them to report on any wrongdoings involving the employees of the organisation.

#### **Recommendation 1.4**

##### **Strategies Promoting Sustainability**

The Board understands the importance of sustainability in operating its businesses and is committed towards achieving sustainability that shall benefit stakeholders, the environment, our people and the community. To achieve this, the Board has adopted the CCM Group's Corporate Sustainability Policy ("Corporate Sustainability Policy") which focuses on stakeholder and marketplace expectations, the environment, workplace sustainability and community needs. The details of the Company's effort to promote sustainability can be found in the Sustainability Report on the Company's website.

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## Recommendation 1.5

### Access to Information and Advice

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members ("Directors") to assist them in their deliberations. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Company's business are included in the Board meeting agenda. To this end, the Chairman liaises with the Chief Executive Officer and the Company Secretary to finalise the agenda for Board meetings. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four (4) Board meetings were held during the year. Additional meetings were held as and when required.

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure that adequate and quality information is available to assist the Board in its deliberation. The Board papers include, among others, the following:

- Minutes of Meetings;
- Reports from the respective Board Committees;
- Business plan and direction;
- Current operating and business issues;
- Annual budget review, forecasts and projections;
- Quarterly and annual financial reports;
- Potential acquisitions and disposal of assets of substantial value;
- Major investment and financial decisions; and
- Key policies, procedures and authority limits.

During the financial year, five (5) Board meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:

Name of Directors	No. of Meetings Attended
<b>Dato' Hajah Normala binti Abdul Samad</b> Non-Independent Non-Executive Chairman <i>(Appointed w.e.f. 26 May 2016)</i>	2/2
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> Senior Independent Non-Executive Director <i>(Appointed w.e.f. 5 April 2016)</i>	2/3
<b>Dato' Mohamad Kamarudin bin Hassan</b> Independent Non-Executive Director	5/5
<b>Dato' Azmi bin Mohd Ali</b> Non-Independent Non-Executive Director <i>(Appointed w.e.f. 5 April 2016)</i>	3/3
<b>Razalee bin Amin</b> Independent Non-Executive Director <i>(Appointed w.e.f. 1 June 2016)</i>	2/2

Name of Directors	No. of Meetings Attended
<b>Puan Sri Datuk Rohani Parkash binti Abdullah</b> Independent Non-Executive Director <i>(Appointed w.e.f. 2 August 2016)</i>	2/2
<b>Zaiton binti Jamaluddin</b> Independent Non-Executive Director <i>(Appointed w.e.f. 1 September 2016)</i>	1/1
<b>Dato' Eisah binti A. Rahman</b> Independent Non-Executive Director <i>(Appointed w.e.f. 16 November 2016)</i>	1/1
<b>Tan Sri Dato' Dr. Abu Bakar bin Suleiman</b> Non-Independent Non-Executive Director <i>(Retired w.e.f. 26 May 2016)</i>	3/3
<b>Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam</b> Independent Non-Executive Director <i>(Retired w.e.f. 26 May 2016)</i>	3/3
<b>Datuk Alias bin Ali</b> Non-Independent Non-Executive Director <i>(Resigned w.e.f. 10 August 2016)</i>	2/3
<b>Dato' Hj Ghazali bin Awang</b> Senior Independent Non-Executive Director <i>(Resigned w.e.f. 1 September 2016)</i>	4/4
<b>Dr. Byung-Geon Rhee</b> Independent Non-Executive Director <i>(Resigned w.e.f. 25 February 2017)</i>	5/5

All Directors have the same right of access to all information within the Company. It is the Director's duty to make further enquiries which they may require in discharging their duties, including seeking independent professional advice either directly or through the Chief Executive Officer or the Company Secretary's office, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the statutory register at the registered office of the Company and are accessible by all Directors.

The Company also provides a platform for dialogue between the Board and Management either at Board meetings or during the business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Company. The Directors also have access to the Company Secretary who is available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Company. On the invitation of our former independent non-executive director, Dr. Byung-Geon Rhee, the Board of the Company visited Green Cross Korea in May 2016. Green Cross is a company specialising in the development and manufacturing of plasma derivatives, preventive vaccines, recombinant proteins and therapeutic antibodies.

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## Recommendation 1.6

### Qualified and Competent Company Secretary

The appointment or removal of Company Secretary or Secretaries to the Board shall be the prerogative of the Board as a whole. The Board is assisted by a qualified and competent Company Secretary to ensure that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board and the business are complied with. This includes compliance to the Main Market Listing Requirements, Companies Act 1965 and 2016, Securities Commission Act 1963, Capital Market and Services Act 2007 and other relevant requirements.

The Company Secretary also plays an important role as a gatekeeper of corporate governance. She is responsible in ensuring that the principles and practices of corporate governance are complied with, where possible. In addition to this, the Company Secretary also provides the relevant advice to the Board, when required. All Directors have unrestricted access to the advice and services of the Company Secretary for the purposes of the conduct of the Board's affairs and the business.

## Recommendation 1.7

### Board Charter

The Board Charter, which is reviewed on an annual basis, sets out the authority, responsibilities, membership and operation of the Board of the Company, in adopting principles of good corporate governance and practice that is in accordance with applicable laws. The document clearly outlines the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference for all Board members and is a primary induction literature for newly appointed board members in providing insight into the fiduciary and leadership functions of the Board.

The Board endeavours to comply at all times with the principles and practices set out in its Charter. Any updates to the principles and practices set out in the Charter will be made available on the Company's website.

## PRINCIPLE 2

### STRENGTHEN COMPOSITION

The Company's Constitution stipulates that the minimum and maximum number of Directors on the Board shall not be less than three (3) and more than nine (9). An alternate director shall not be counted in the determination of the minimum or maximum number of Directors on the Board.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively. A brief description on the background of the Directors is presented in the Board of Directors' Profile section of this Annual Report on pages 30 to 37.

During the year, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors resigned from the Company. Subsequently, seven new directors, two (2) of which are Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors were appointed to the Board. As at 31 December 2016, the Board consists of nine (9) members comprising two (2) Non-Independent Non-Executive Directors and seven (7) Independent Non-Executive Directors.

On 25 February 2017, Dr Byung-Geon Rhee resigned from the Company. As a result, the current Board composition consists of eight (8) members comprising two (2) Non-Independent Non-Executive Directors and six (6) Independent Non-Executive Directors. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times, in line with the Main Market Listing Requirements. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgment to many aspects of the Company's strategies so as to ensure that the highest standards of conduct and integrity are maintained.

In accordance with the best practices in corporate governance, the Board appoints a Senior Independent Non-Executive Director to whom concerns of shareholders and stakeholders relating to the Company may be conveyed. At present, Tan Sri Siti Sa'diah binti Sh. Bakir is the Senior Independent Non-Executive Director. She is also the Chairman of the Nomination and Remuneration Committee ("NRC").

To ensure that the composition of the Board is strengthened, the Board has entrusted the NRC to implement policies and procedures with respect to the selection and nomination of candidates for Board and Board Committees, review of Board's succession plans and training programmes for the Board.

### **Recommendation 2.1 Nomination and Remuneration Committee**

The Company has in place a Nomination and Remuneration Committee ("NRC") with specific terms of reference. The NRC comprises three (3) members, all of whom are Non-Executive Directors with the majority being independent directors. The Chair of the NRC is held by the Senior Independent Non-Executive Director, Tan Sri Siti Sa'diah binti Sh. Bakir.

Details pertaining to the NRC's composition and activities are set out in the Annual Report on pages 79 to 80. The NRC's terms of reference can be found on the Company's website.

### **Recommendation 2.2 Develop, Maintain and Review Criteria to be Used in the Recruitment Process and Annual Assessment of Directors**

#### **(i) Recruitment/Appointment of Directors**

One of the responsibilities of the Nomination and Remuneration Committee ("NRC") as set out in its terms of reference is to recommend to the Board, candidates to fill all directorships on the Board and Board Committees of the Company, be it a new appointment or re-election/reappointment. In executing this role, the NRC is guided by the Board's Nomination and Selection Process which has been approved by the Board. The Board's Nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-a-vis the needs of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board. In respect of the appointment of Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman as directors of the Company, the Company has observed the prescribed process as approved by the Board of the Company. Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman's nominations were deliberated by the NRC and subsequently tabled to the Board for approval. The Board Selection and Nomination Procedure can be accessed on the Company's website.

The NRC is responsible for reviewing, on an annual basis, the appropriate skills, experience and characteristics required of Directors. The Chairman of the Board is required to actively participate in the selection of Directors.

The proposed appointment of a new member to the Board as well as the proposed re-appointment and re-election of Directors seeking re-election at the Annual General Meeting ("AGM") are recommended by the NRC to the Board for their approval. Article 93 of the Company's Constitution provides that at least one third (1/3) of the Board are subject to retirement by rotation at each AGM provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandate. The Director retiring under this Article at the forthcoming AGM is Dato' Azmi bin Mohd Ali and having been eligible, has offered himself for re-election.

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In addition, Article 99 of the Company's Constitution also provides that any Director who is appointed to fill a casual vacancy or as an additional Director shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who retire by rotation at the meeting. The Director retiring under this Article at the forthcoming AGM are Dato' Hajah Normala binti Abdul Samad, Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman and having been eligible, have offered themselves for re-election.

Prior to the implementation of the new Companies Act 2016 which took effect on 31 January 2017, a Director who is over seventy (70) years of age shall retire at every AGM and may offer himself for re-appointment to hold office until the Company's next AGM in accordance with Sections 129 (2) and 129 (6) of the Companies Act, 1965. At the last AGM, Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam, who were above seventy years old have not offered themselves for re-appointment and therefore have retired at the conclusion of the said AGM.

To assist shareholders in their decision, sufficient information such as the personal profiles, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of AGM.

The Company has in place a Succession Planning Programme which includes, inter alia, guidelines on appointment, training, fixing of compensation and replacement of Directors and Senior Management of the Company.

## (ii) Induction Programme

As part of the familiarisation process of a newly appointed Director, he/she is required to undergo an Induction Programme specially designed to familiarise the directors with the businesses within the Company and the Group. This familiarisation process includes briefing sessions on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the Company's Management team to provide an in-depth knowledge of the latest progress of the Company and appreciation of the key drivers behind the Company's core businesses. For the current year, visits to the Company's facilities in Klang and Bangi was conducted for the newly appointed directors.

## (iii) Board Evaluation Assessment ("BEA")

The Company has in place a Board Evaluation Assessment ("BEA") which is conducted on an annual basis. The Board Evaluation criteria are based on the Green Book – Enhancing Board Effectiveness as well as guidelines and best practices issued by Bursa Malaysia and other relevant authorities which cover the following main components:

- Structuring a high performing board;
- Ensuring effective day-to-day Board operations and interactions; and
- Fulfilling fundamental Board roles and responsibilities at best practice levels.

The NRC is given the task to annually review the activities and effectiveness of the Board, Board Committees and the individual Directors. The results of such evaluation will be discussed with the respective Board Committee and/or the Chairman and subsequently will be tabled to the Board. The Chairman's own position is discussed with the NRC. Actionable improvement programmes will be developed to improve the performance of the Board as a whole.

In addition to the Board Evaluation Assessment, a Chairman Effectiveness Assessment is also conducted on an annual basis covering the areas of leadership, relationship, ethics and communication with stakeholders. Each Board Committee also conduct an annual self-evaluation in respect of the roles and functions as set out in the terms of reference of each Board Committee, interaction/participation at Board Committees activities, value adds, expertise and experience as well as areas of improvements required. A sample of the Board and Board Committee Effectiveness Assessment Forms are accessible on the Company's website.

For the financial year 2016, it was agreed that the detail Board Evaluation Assessment be deferred to 2017 in view of the fact that most of the directors were recently appointed to the Board. The deferment will allow a fair and reasonable assessment of the directors. Nevertheless, the Nomination and Remuneration Committee together with the Board have conducted a general assessment of the members of the Board and the respective Board Committees and were satisfied with their contribution and commitment, thus far.

(iv) Boardroom Diversity

The Board recognises the importance of diversity as an essential measure of good governance. Consequently, as part of the Board's selection and nomination process, due emphasis is given to ensure that the Board comprises members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and view points for better decision making. The Board currently comprises eight (8) Bumiputera Directors.

The Board at its meeting in February 2015 had also given their commitment on gender diversity by adopting a policy to ensure that at least 30% of its members comprise women directors by 2016. The Company has complied with its policy of at least 30% women directors on the Board. The Board now comprise of five (5) female directors and three (3) male directors.

(v) Remuneration Policy

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Company successfully.

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Chief Executive Officer. In the case of Non-Executive Directors, the Board has established a formal and transparent remuneration policy to attract and retain Directors, motivate Directors to achieve Company's objective and align interest of Directors with long term interest of shareholders. The level of remuneration for Non-Executive Directors is based on their responsibilities in the Board and Board Committees.

(vi) Directors' Remuneration

The Non-Executive Directors are entitled to directors' fees. In addition, the Non-Executive Directors are also entitled to Board Committee fees on which they sit on. The Company had in 2014, sought the shareholders' approval to increase the ordinary remuneration payable to the Directors entitled to receive the ordinary remuneration with effect from 1 January 2014, in the manner as determined by the Board. Any further increase or review of the directors' remuneration will be tabled at the Annual General Meeting for shareholders' approval.

The Chief Executive Officer is not entitled to receive any directors' fees or Board Committee fees. However, the Chief Executive Officer is entitled to a token amount for his directorships in subsidiary companies. The Chief Executive Officer's remuneration comprises a fixed component of a monthly salary and benefits-in-kind, and a variable component in the form of a performance bonus.

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The Board's remuneration is reviewed from time to time and is benchmarked against industry practice. Details of Directors' remuneration paid by the Company for the financial year ended 31 December 2016 are as follows:

## Non-Executive Directors (RM'000)

Fees 557

Note: \* Fees include Board Committee fees as well as two (2) retired and two (2) resigned directors

The number of Directors whose remuneration falls within the following bands for the financial year ended 31 December 2016 is as follows:

	Executive Directors		Non-Executive Directors		Total	
	Company	Group	Company	Group	Company	Group
Below RM50,000	-	-	9*	9*	9*	9*
RM50,000 to RM100,000	-	-	4	4	4	4

Note: \* Includes two (2) retired and two (2) resigned directors

The remuneration of directors for the financial year ended 31 December 2016 are as follows:

Name	Category of Directors	Director Fees (RM'000)		Committee Fees (RM'000)		Total (RM'000)	
		Company	Group	Company	Group	Company	Group
Dato' Hajah Normala binti Abdul Samad	Non-Executive	51	51	-	-	51	51
Tan Sri Siti Sa'diah binti Sh. Bakir	Non-Executive	44	44	4	4	48	48
Dato' Mohamad Kamarudin bin Hassan	Non-Executive	65	65	7	7	72	72
Dato' Azmi bin Mohd Ali	Non-Executive	44	44	3	3	47	47
Razalee bin Amin	Non-Executive	35	35	4	4	39	39
Puan Sri Datuk Rohani Parkash binti Abdullah	Non-Executive	25	25	-	-	25	25
Zaiton binti Jamaluddin	Non-Executive	20	20	2	2	22	22
Dato' Eisah binti A. Rahman	Non-Executive	7	7	-	-	7	7
Tan Sri Dato' Dr. Abu Bakar bin Suleiman <i>(Retired w.e.f. 26 May 2016)</i>	Non-Executive	41	41	2	2	43	43

Name	Category of Directors	Director Fees (RM'000)		Committee Fees (RM'000)		Total (RM'000)	
		Company	Group	Company	Group	Company	Group
<b>Tan Sri Dato' Dr. Jegathesan</b> <b>a/l N.M. Vasagam @ Manikavasagam</b> <i>(Retired w.e.f. 26 May 2016)</i>	Non-Executive	29	29	5	5	34	34
<b>Datuk Alias bin Ali</b> <i>(Resigned w.e.f. 10 August 2016)</i>	Non-Executive	41	41	4	4	45	45
<b>Dato' Hj. Ghazali bin Awang</b> <i>(Resigned w.e.f. 1 September 2016)</i>	Non-Executive	45	45	11	11	56	56
<b>Dr. Byung-Geon Rhee</b> <i>(Resigned w.e.f. 25 February 2017)</i>	Non-Executive	68	68	-	-	68	68
<b>TOTAL</b>		<b>515</b>	<b>515</b>	<b>42</b>	<b>42</b>	<b>557</b>	<b>557</b>

Note: That the shareholders, at the AGM held in 2015, had resolved that the ordinary resolution for foreign directors of the Company shall be USD15,000 per annum. The amount paid is based on USD exchange rate of RM4.201 to USD1 (average from Jan 2016 - Dec 2016).

(vii) Indemnification and Directors & Officers Insurance

In addition to the Directors' remuneration above, the Directors are provided with a Directors & Officers Liability Insurance coverage in respect of any liabilities (including fines, penalties, liquidated, punitive or exemplary damages) arising in the course of discharging directors' duties provided always that such liabilities arose from acts committed in good faith and not as a result of dishonesty, fraud, insider trading, malicious conduct and/or intentional breach of contract.

### PRINCIPLE 3

#### REINFORCE INDEPENDENCE

The Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by Management are fully deliberated and examined in the interest of the Company, minority shareholders, employees and the business communities in which the Company conducts its business.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2016

## Recommendation 3.1

### Annual Assessment of Independent Directors

The Board currently consists of eight (8) Non-Executive Directors, six (6) of whom are independent. In ensuring that independent judgments are not compromised, the Board adopts a policy on assessment of independence, whereby the independent directors are assessed annually and as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Bursa Malaysia's Main Market Listing Requirements.

For the current financial year, a detail, fair and reasonable assessment based on the Independent Director Assessment Form could not be undertaken due to the recent changes in the board. However, the Board and the Nomination and Remuneration Committee are generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Company. A sample of the Independent Director Assessment Form can be found on the Company's website.

## Recommendations 3.2 and 3.3

### Tenure of Independent Director

One of the recommendations under the Code is to limit the tenure of Independent Directors to not more than nine (9) years, cumulatively. The recommendation is based on the view that the independence of an Independent Director may be affected if his tenure exceeds a cumulative term of nine (9) years either in a consecutive service of nine (9) years or cumulative service of nine years interval. The Board may, upon the completion of the nine (9) years, re-designate the Independent Directors as a Non-Independent director if it is so determined that the expertise and experience of the Independent Director is still relevant to the Company or the Group (Recommendation 3.2). Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam and Dato' Haji Ghazali bin Awang who have served as Independent Directors of the Company for more than nine years have resigned from the Company on 26 May 2016 and 1 September 2016, respectively. Currently, the tenure of all Independent Directors on the Board have not exceeded nine (9) years.

## Recommendations 3.4 and 3.5

### Position of Chairman and CEO and Board Balance

There is a division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The roles of the Chairman and the Chief Executive Officer are separated and are clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring the Board's effectiveness and proper conduct. She ensures that all relevant issue and quality information to facilitate decision making and the effective running of the Group's business are included in the Board meeting agendas. To do so, the Chairman liaises with the Chief Executive Officer and the Company Secretary on the agenda for Board meetings. The Chairman encourages healthy debates on issues raised at meetings and gives opportunity to Directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote, thus ensuring that Board decisions are reflective of the collective decision of the Board and not merely the view of an individual or an interested group. The Chairman also chairs the Company's shareholders' meetings. At the general meetings (shareholders' meetings) of the Company, the Chairman ensures that the shareholders are given adequate opportunity to enquire on the Company's affairs. The Chief Executive Officer, on the other hand, focuses on the business and the day to day management of the Company. He acts as the conduit between the Board and Management in ensuring the success of the Company's governance and management functions. The Chief Executive Officer implements the policies, strategies and decisions adopted by the Board.

The Board is chaired by a Non-Independent Non-Executive Chairman. Nevertheless, the board is comprised of a majority of independent directors to ensure balance of power and authority on the board. All Board members have the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. (Recommendation 3.5).

## **PRINCIPLE 4**

### **FOSTER COMMITMENT**

#### **Recommendation 4.1**

##### **Time Commitment**

The Board has established a formal and transparent policy on the appointment of Directors. In recommending or nominating a candidate to fill the position of Director in the Company, the Board will consider the candidate's ability to devote sufficient time to effectively discharge his or her duties as a Director of the Company. This includes the ability to attend at least 50% of all Board and Board Committee meetings, participation in training programmes and site visits or as determined from time to time by the Board. Appointed Directors are also expected to devote their time to other matters involving the Company's affairs such as attending training sessions and also relevant Company events. In addition to the policy above, the time commitment required of the Directors is also incorporated as one of the terms in their appointment letter to the Board.

Any Director, while holding office, is at liberty to accept other board appointments (outside the Company) so long as the appointment is not in conflict with the business of the Company or does not detrimentally affect the Director's performance as a Board member. All such appointments must first be discussed with the Chairman or the Board before being accepted.

In line with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, Directors are also required to comply with the restriction to have no more than five (5) directorships in listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings.

#### **Recommendation 4.2**

##### **Continuing Education Programme**

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. All Directors have attended the Mandatory Accreditation Programme ("MAP") as prescribed by the Main Market Listing Requirement and the costs are borne by the Company.

The Continuing Education Programme ("CEP") focuses on business specific issues relating to the Company and the latest development within the related industries and is conducted in-house at least two times per year. The CEP is extended to all Directors and Senior Management of the Company. The Directors can also, on their own initiative, request to attend ad-hoc trainings, seminars or conferences conducted by third parties to enhance their knowledge or skills in specific areas. The costs of attending such training/forums are borne by the Company. Some of the trainings attended by Directors include sessions in the areas of law and business development.

During the year, the Group has organised the following trainings and breakfast talks, which were facilitated by industry experts, as part of the Continuing Education Programme:

- (1) Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers
- (2) Companies Bill 2015
- (3) Corporate Liability Act: What's Next?
- (4) Scenario Planning Workshop

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2016

Listed below are the attendance of Directors at trainings organised by the Company or attended on their own initiatives during the year:

Name	Training or Conference Attended
<b>Dato' Hajah Normala binti Abdul Samad</b> <i>(Appointed w.e.f. 26 May 2016)</i>	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers by Fabian Boegershausen from Solidiance</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>3. Corporate Liability Act: "What's Next?" by Malaysian Anti-Corruption Commission</li> <li>4. Mandatory Accreditation Programme ("MAP") by The Iclif Leadership and Governance Centre</li> <li>5. How Effective Boards Engage on Succession Planning for the CEO and Top Management</li> <li>6. Board Chairman Series Part 2: Leadership Excellence from the Chair</li> <li>7. CG Breakfast Series with Directors: "The Cyberjaya Security Threat and How Board Should Mitigate the Risks"</li> <li>8. Scenario Planning Workshop</li> </ol>
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> <i>(Appointed w.e.f. 5 April 2016)</i>	<ol style="list-style-type: none"> <li>1. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>2. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission</li> <li>3. The Direction of Global Competition Malaysia by Prof. Richard HK Vietor</li> <li>4. Memperkasa Inovasi Kearah Kesejahteraan Johor by UTM Simposium Sinergi IPT, Industri &amp; Kerajaan Johor (as Panelist)</li> <li>5. Bursa Malaysia Independent Directors Programme – The Essence of Independence</li> <li>6. The Institute of Internal Auditors Malaysia 2016 Audit Committee Conference - Setting the Right Tone by the Institute of Internal Auditors Malaysia</li> <li>7. International Forum on Quality and Safety in Healthcare by Institute for Healthcare Improvement ("IHI") &amp; BMJ</li> <li>8. KPJUC 3rd International Conference on Multi-disciplinary Healthcare by KPJ Healthcare University College ("KPJUC")</li> <li>9. 8th APHM International Healthcare Conference &amp; Exhibition – Safe and Efficient Hospitals: Healthy Outcomes for both Patients and Shareholders by Association of Private Hospitals of Malaysia</li> <li>10. Public Lecture CIMB-UUM Chair by Prof. Emeritus Dr. Salim Rashid _"Evaluating TPPA: Its Impact on the Banking Industry In Malaysia"</li> <li>11. Companies Bill 2015: Key Amendment Relevant to Directors Talk by OSK Holdings Berhad</li> <li>12. Fraud Risk Management – Whose Responsibility is it? by OSK Holdings Berhad</li> <li>13. Learning &amp; Development ("L&amp;D") Conference – Learning to lead a new industry by Kerjaya One PLT (as Speaker)</li> <li>14. Mesyuarat Jawatankuasa Teknikal Hospital Pengajar Universiti Kementerian Pendidikan Tinggi: Sesi Perkongsian Transformasi Hospital by Kementerian Pendidikan Tinggi (as Speaker)</li> <li>15. 3rd Retirement Living &amp; Senior Care SEA Conference – Advisory Board for Retirement Living &amp; Senior Care World Southeast Asia 2016 – How can projects best leverage the unique expertise, knowledge and market insight that each partner offers (as Speaker)</li> </ol>

Name	Training or Conference Attended
	<ol style="list-style-type: none"> <li>16. Program CEO @ FSK Fakulti Sains Kesihatan Universiti Teknologi MARA – The Future of Private Healthcare Services in Malaysia (as Speaker)</li> <li>17. ISQua's 33<sup>rd</sup> International Conference Tokyo 2016 – Change and Sustainability in Healthcare Quality: the Future Challenges</li> <li>18. INPUMA # UM 111 be Inspired UM-JCorp Carnival – Building a Dynamic and Entrepreneurial Youth Culture and A Life of Dedication: Personal Experience (as Speaker)</li> <li>19. OYAGB UUM – JPA (JUSA) Excellence Leadership – Leadership, Change &amp; Transformation For Sustainability (as Speaker)</li> <li>20. Bursa Malaysia – Corporate Governance Breakfast Series with Directors – The Cyber Security Threat and How Board should Mitigate the Risks</li> <li>21. Women's Institute Management (WIM) Conference 2016 – On Integrity and Governance for Company Directors (Public &amp; Private Sectors) and Corporate Governance Practices in Private Sector Board (as Speaker)</li> <li>22. MSQH Healthcare Summit 2016 – Enhancing Ethical, Safe and Quality Care Through Patient and Family Engagement and Do Malaysian Healthcare Service Provides Have the Values to Deliver Ethical, Safe and Quality Care?</li> <li>23. Convention for Young Administration of ASEAN Universities 2016 – Jawatankuasa Latihan Universiti – Universiti Malaysia (“JALUMA”) and Inculcating Culture Engagement in University Environment (as Speaker)</li> </ol>
<b>Dato' Mohamad Kamarudin bin Hassan</b>	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers by Fabian Boegershausen from Solidiance</li> <li>2. Comprehending Financial Statements for Directors and Management</li> <li>3. Directors Tea Talk on Financial Statements: Number Tell a Story, What to Look Out For by Malaysian Alliance of Corporate Directors</li> <li>4. Expectation on PLCs and Directors in Disclosure &amp; Compliance Requirements under the Listing Requirements</li> <li>5. Scenario Planning Workshop</li> </ol>
<b>Dato' Azmi bin Mohd Ali</b> (Appointed w.e.f. 5 April 2016)	<ol style="list-style-type: none"> <li>1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers by Fabian Boegershausen from Solidiance</li> <li>2. Companies Bill 2015 by Messrs. Rahmat Lim &amp; Partners.</li> <li>3. Legal Forum for Tenaga Nasional Berhad's Legal Counsels</li> <li>4. The Outlook of the World's Economy: Challenges and Opportunities for Malaysian Companies by Prof. Alan B Krueger, Bendheim Professor of Economics and Public Affairs at Princeton University, USA</li> <li>5. MINDA's PowerTalk on “What Will Distinguish the Great Boards of Tomorrow?” by Beverly A. Behan</li> <li>6. Briefing on the various methods of Liquidation &amp; Insolvency by Encik Mohd Afrizan Husain (Managing Partner, Aftaas)</li> <li>7. The Direction of Global Competition in Malaysia by Prof. Richard HK Vietor</li> <li>8. “Talk on tax matters” by Mr Saravanan (Partner, Lee Hishammuddin Allen &amp; Gledhill)</li> <li>9. Breakfast Talk – Session 1 “Future Mega Trends Based On Malaysia Perspective” by Frost &amp; Sullivan</li> </ol>

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2016

Name	Training or Conference Attended
	10. The Cyber Security Threat and How Boards Should Mitigate the Risks by Dr. Jessie Barker 11. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 12. Table Talk with Russian Lawyers 13. Scenario Planning Workshop
<b>Razalee bin Amin</b> <i>(Appointed w.e.f. 1 June 2016)</i>	1. Awareness on Sustainability Reporting 2. Briefing on Companies Act 2016 3. Corporate Tax Issues for 2016 & 2017 4. MIA International Accountants Conference 2016
<b>Puan Sri Datuk Rohani Parkash binti Abdullah</b> <i>(Appointed w.e.f. 2 August 2016)</i>	1. Corporate Liability Act: "What's Next?" by Malaysian Anti-Corruption Commission 2. MINDA: Cyber Securities Risk Management for the Board Room and C-Suite 3. Mandatory Accreditation Program ("MAP") by The Iclif Leadership and Governance Centre
<b>Zaiton binti Jamaluddin</b> <i>(Appointed w.e.f. 1 September 2016)</i>	1. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 2. Mandatory Accreditation Program ("MAP") by The Iclif Leadership and Governance Centre 3. Scenario Planning Workshop
<b>Dato' Eisah binti A. Rahman</b> <i>(Appointed w.e.f. 16 November 2016)</i>	1. Centre for Innovation in Regulatory Science ("CIRS") Benefit Risk Workshop & Annual Regulations Forum – What are the Key Performance Metrics that Agencies and Companies should use to Measure the Regulatory Process and Practices to Facilitate the Licensing of New Medicines 2. Asia Pacific Regional Regulatory Partnership for Malaria Elimination Workshop co-hosted by Asia Pacific Leaders Malaria Alliance ("APLMA"), ADB, WHO, CoRE Duke-NUS Medical School, Australian TGA 3. Workshop on Development 2016 – 2025 ASEAN Consultative Committee for Standards and Quality ("ACCSQ") Action Plans and Key Performance Indicators ("KPIs") 4. Workshop on Patience Assistance Scheme ("PACs") by Pharmaceutical Services Division, Ministry of Health Malaysia & Malaysian Pharmaceutical Society ("MPS") 5. Talent Grooming Programme ("TGP") Inspirational Leadership Podium Series 2/2016 – Is The Sky The Limit 6. International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use ("ICH") Conference 7. Mandatory Accreditation Program ("MAP") by The Iclif Leadership and Governance Centre
<b>Dr. Byung-Geon Rhee</b>	1. J.P. Morgan 34th Annual Healthcare Conference 2016 San Francisco (as Speaker) 2. BIO Korea 2016 International Convention (as Speaker) 3. Discussing key issues facing big pharma globally at AusBiotech Australia's Life Sciences Conference (as Speaker) 4. Edgar O'Rear Lecture at Rice University, Houston, US (as Speaker) 5. Scenario Planning Workshop

## **PRINCIPLE 5**

### **UPHOLD INTEGRITY IN FINANCIAL REPORTING**

#### **Recommendation 5.1**

##### **Compliance with Applicable Reporting Standards**

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Company's financial position and prospects. In this regard, the Board has delegated its authority to the Audit and Risk Management Committee ("ARMC") to ensure that the preparation of financial statements complies with the Companies Act, 2016 and the approved Malaysia Financial Reporting Standards and that the accounts give a true and fair view of the state of affairs of the Company at the end of the financial year.

The Company maintains a transparent relationship with its external auditors and seeks professional advice to ensure that the accounting standards are complied with. The ARMC discusses with the external auditors the scope of the audit and reporting obligations before the audit commences. The ARMC ensures that Management provides timely responses on all material queries raised by the external auditors.

The ARMC meets on a quarterly basis to review the integrity and reliability of the financial statements in the presence of the Chief Financial Officer and the Group Internal Auditor prior to recommending them for Board approval, before being released to Bursa Securities.

The ARMC, with the assistance of and assurance from the Group Internal Auditor, also reviews the internal control systems within the organisation to ensure that they are sufficient, efficient and effective in supporting the achievement of the Company's objectives; optimum utilisation of the Company's assets; and compliance with the rules and regulations. In addition, the ARMC also reviews any related-party transactions that may arise between the Company and the CCM Group. Dedicated ARMC meetings are held to discuss these matters to ensure they are properly and effectively deliberated.

Private meetings are also held with the Group Internal Auditor to discuss key audit and internal control matters.

#### **Recommendation 5.2**

##### **Suitability and Independence of External Auditors**

The ARMC reviews the performance of the External Auditor on an annual basis after the completion of the year-end audit, and assesses their suitability and independence. In evaluating the suitability and effectiveness of the external audit, the ARMC will review the overall comprehensive external audit plan, the timeliness and quality of deliverables and the competency/adequacy of the resources employed to achieve the scope outlined in the audit plan. ARMC, in reviewing the re-appointment of external auditors for tabling at the 16<sup>th</sup> Annual General Meeting, had considered their independence (including obtaining the written assurance confirming their independence throughout the audit engagement), objectivity and effectiveness. The ARMC is satisfied with the external auditors' technical competency and audit independence.

The Board has also approved a policy on External Auditors' Independence whereby the ARMC is given the task to annually review and assess the independence of the External Auditor at the time the External Auditor presents its annual audit plan. It is expected that the External Auditor will rigorously comply with its own internal policies on independence and all relevant professional guidelines on independence. The ARMC further ensures that the policies governing the provision of non-audit fees are observed.

The ARMC has held two meetings with the External Auditors without the presence of the Management during the financial year under review.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2016

## PRINCIPLE 6

### RECOGNISE AND MANAGE RISKS

The Directors are fully aware of the responsibilities to maintain a sound system of internal controls to safeguard the shareholders' investment and the Company's assets. The Directors' responsibilities for the Company's system of internal controls cover not only the financial aspects of the business but also operational and compliance controls as well as risk management matters.

#### Recommendation 6.1

##### Establish Sound Framework to Manage Risks

The Board, through the Audit Risk Management Committee ("ARMC"), determines the Company's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard shareholders' investment and the Company's assets.

The Company's risk management function is performed by CCM Group Risk Management Department which reports the results of the risk management activities to the ARMC. The Department facilitates the risk management processes within the Company.

The Company has adopted the CCM Group Risk Management Manual and Guidelines specifying clear Risk Management framework, policy and procedures which are aligned with the methodologies of ISO 31000, the international standards on managing risks. It includes the guidelines on the identification, analysis, evaluation, monitoring, communication and consultation of risks for the organisations. A copy of the Risk Management framework, policy and procedures can be accessed from the Company's website.

#### Recommendation 6.2

##### Internal Audit Function

The internal audit function of the CCM Group Integrity and Assurance Department provided the internal audit services to the Company. The internal audit function reports directly to the ARMC and is independent of the activities it audits, and the audits are performed with impartiality, proficiency and due professional care. The Group Internal Auditor has direct access to the Board through the Chairman of the ARMC.

The Group Integrity and Assurance Department provides assurance to the ARMC on matters relating to the systems of internal control by performing regular review on compliance of operational and financial procedures using risk-based audit approach. Investigations are also conducted on specific areas or issues as directed by ARMC and Management.

The internal audit function is well resourced, which enables critical reviews on selected aspects of the Company's activities and internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

Details of the Company's internal control system and framework are set out in the ARMC Report and Statement on Risk Management and Internal Control of this Annual Report on pages 73 to 78 and 81 to 84 respectively.

**PRINCIPLE 7****ENSURE TIMELY AND HIGH QUALITY DISCLOSURE****Recommendation 7.1****Corporate Disclosure Policy**

The Company has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Company has put in place a Corporate Disclosure Policy and Procedures for the following purposes:

- (a) provide shareholders, investors, analysts, media representatives and other stakeholders with comprehensive, accurate and quality information issued by the Company on a timely and even basis;
- (b) raise awareness and provide guidance to the Board, Management, officers and employees on the Company's disclosure requirements and practices;
- (c) ensure that the Company meets its disclosure obligations in accordance with the securities laws and regulations governing corporate disclosure and confidentiality in relation to securities listed on Bursa Malaysia;
- (d) ensure that the Company observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by Bursa Malaysia; and
- (e) promote investor confidence in the integrity of the Company.

The policy is applicable to the conduct of directors, officers, managers and employees of the Company and to all methods that the Company uses to communicate with the investing public in the dissemination of material information, especially price sensitive information.

The following material information and the material development thereof have been released to shareholders via the Bursa Malaysia link in a timely manner:

<b>Date of Announcement</b>	<b>Subject Matter of Material Information</b>
23 March 2016	Construction of New Plant (including machineries) and a New Warehouse with Roof Top Car Park at Lot 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya and Lot 2707, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, at an estimated cost of RM103.7 million and RM37.1 million (excluding GST), respectively.
7 December 2016	USD4 million Revolving Credit Facility ("RC Facility") from Sumitomo Mitsui Banking Corporation Labuan Branch ("SMBC") for a USD4 million RC Facility to be cross utilised by its wholly owned subsidiary, CCM International (Philippines), Inc. ("CCMIP"), upon the terms and conditions as contained in the Bank's offer letter dated 18 November 2016.
25 January 2017	Acceptance of Tender Offer (hereinafter referred to as "Letter of Award") by Government of Malaysia from Biocon for the Manufacture and Supply, and for CCM Pharmaceuticals Sdn. Bhd. to deliver the Human Insulin Formulations (hereinafter referred to as "Products") under the Ministry of Health ("MOH") Off-Take Agreement Program.
15 February 2017	Successful Completion of Jointly Conducted Multinational Phase III Clinical Trial between Duopharma (M) Sdn. Bhd. and PanGen Biotech Inc. for Biosimilar Erythropoietin in Korea and Malaysia.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2016

## Recommendation 7.2

### Leverage on Information Technology for Effective Dissemination

The Company uses its website to disseminate information and enhance its investor relations. The Company's website, [www.duopharma.com.my](http://www.duopharma.com.my), contains information about the Company, its products and businesses, announcements which have been made available to the public as well as other areas of interest to the public. The website contains a section on Investor Relations which provides the investing public with all material information documents which have been released.

All timely disclosures and material information documents will be posted on the website as soon as possible after release by the news wire service.

In addition to the corporate website, the Company also embraced the social media to keep its current and former employees and other stakeholders updated and connected with the latest development of the Company.

## PRINCIPLE 8

### STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### Recommendation 8.1

##### Encourage Shareholder Participation at General Meetings

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate, either in person, by corporate representative, by proxy or by attorney.

To encourage participation at general meetings, the Company had in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account. The Company has also included a new provision in its Constitution in respect of the qualification and the right of a proxy to speak at general meetings. Under the new provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the meeting.

#### Recommendation 8.2

##### Encourage Poll Voting

Shareholders shall vote by poll for all resolutions in the notice of meeting and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

At the last AGM, the Company had highlighted the right of the shareholders to demand for poll voting. However, the shareholders opted for voting to be done by show of hands and resolutions put forth for shareholders' approval at the last AGM were voted on by show of hands.

Following the amendments to the Bursa Malaysia Listing Requirements in 2015 and Companies Act 2016, all voting of resolutions in the Notice of Meeting shall be conducted by poll. As such, voting of all resolutions at the Company's general meeting shall now be conducted by poll, henceforth.

### **Recommendation 8.3**

#### **Effective Communication and Proactive Engagement**

The Company encourages shareholders to ask questions and provide constructive feedback on the performance of the Company. In addition to the normal agenda of the AGM, the Board also presents the progress and performance of the business as contained in the Annual Report.

The Board believes that Management speaks for the Company. In this instance, the Company has adopted a Communication Policy to provide sufficient information to shareholders to allow them to effectively evaluate the performance of the Company. The Company has adopted the following communication channels with shareholders:

(i) Annual General Meeting

The Annual General Meeting (“AGM”) provides a forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with and constructive feedback from the Company’s shareholders. Members of the Board, the Company’s Senior Management, as well as the Company’s auditors will be present to answer questions about the Company’s affairs. In addition to the usual agenda for the AGM, the Chairman will brief on the overview of the performance and prospects of the Company while the Chief Executive Officer will present the details of the progress and performance of the business as contained in the Annual Report. Shareholders will be given the opportunity to raise questions pertaining to the business activities of the Company. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Where necessary, the Chairman or the Chief Executive Officer will undertake to provide written answers to any significant questions that cannot be readily answered at the meeting.

The turnout of shareholders at the Company’s AGM has always been large. A total of 260 shareholders and 264 proxies attended the AGM in 2016.

(ii) Extraordinary General Meetings

Extraordinary General Meetings (“EGM”) are held as and when required. The Directors will consider requisitions by shareholders to convene an EGM or any other urgent matters requiring immediate attention of the Company.

Notices of extraordinary general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders. Following the amendments to the Bursa Listing Requirements in 2015 and the Companies Act 2016, shareholders shall vote by poll for all resolutions in the notice of meetings and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

In line with Chapter 9.21(2) of the Bursa Malaysia Listing Requirements, the Company has published the summary of its AGM minutes containing key matters discussed on the Company’s website to provide greater transparency and expedience so that the public’s investing decisions are always taken with the latest and most comprehensive information.

(iii) Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. The Annual Report contains comprehensive financial performance and information on business activities of the Company. The Company continuously strives to improve the contents of the Annual Report in line with the developments in corporate governance practices.

The Company’s Annual Report can be obtained by accessing the Company’s website at [www.duopharma.com.my](http://www.duopharma.com.my).

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2016

(iv) Company's Website

The Company maintains a website at [www.duopharma.com.my](http://www.duopharma.com.my) which can be accessed by shareholders to keep abreast of the Company's development.

The Company's website contains information on the Company, business activities, corporate governance, investor relations, corporate responsibility and media releases by the Company. The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements or press releases made during the year which can also be obtained from Bursa Malaysia's website. The shareholders can also leave their queries/feedbacks on the Company's website.

(v) Announcement of Quarterly Results for the Financial Year Ended 31 December 2016

The Directors view the timely announcement of the quarterly financial results as vital to the dissemination of information to the shareholders' and investors' community. The Company has consistently announced its quarterly results before Bursa Malaysia's deadlines as indicated below:

<b>Announcement of Quarterly Results 2016</b>	<b>Date of Announcement</b>
1 <sup>st</sup> Quarter	18 May 2016
2 <sup>nd</sup> Quarter	22 August 2016
3 <sup>rd</sup> Quarter	21 November 2016
4 <sup>th</sup> Quarter	24 February 2017

## Statement of Compliance with the Best Practices of the Code

The Company has in all material respects complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (the "Code") throughout the financial year ended 31 December 2016.

This statement is made in accordance with a resolution of the Board of Directors dated 24 February 2017.