

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 9634  
**COMPANY NAME** : POS MALAYSIA BERHAD  
**FINANCIAL YEAR** : March 31, 2019

## **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.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board of Directors ("the Board") of Pos Malaysia Berhad ("the Company" or "Pos Malaysia") is responsible for setting strategic goals and direction of the Company and its subsidiary companies ("Group") and has an overall responsibility of overseeing the performance and management of the businesses and affairs of the Group.</p> <p>In order to ensure the effective discharge of the Board's roles and responsibilities in achieving the strategic goals and objectives of the Group, the Board has in place a Board Charter which clearly sets out the roles and responsibilities of the Board and each Director.</p> <p>The Board is also assisted by Board Committees to properly and effectively discharge its functions and responsibilities. The Board has empowered its Committees namely, the Board Audit Committee ("BAC"), Board Nomination and Remuneration Committee ("BNRC"), Board Risk, Sustainability and Compliance Committee ("BRSCC"), Board Tender Committee ("BTC") and Board Digital-First Committee ("BDC"), to examine specific matters within their respective terms of reference as approved by the Board. Although specific powers are delegated to the Board Committees, the ultimate responsibility for decision-making, however, lies with the Board. The Board keeps itself abreast of the key issues and decisions made by each Board Committee through the tabling of reports by the Chairmen of the Board Committees at Board meetings.</p> <p>Beyond the schedule of matters reserved for the collective decision of the Board as stipulated in the Board Charter, the Board delegates the functions and power to the Group Chief Executive Officer ("GCEO") to manage the daily business and operations of the Group. These functions and power are spelt out in the Limits of Authority ("LOA") adopted throughout the Group. The LOA defines the type and limits of authority designated to the specified positions of responsibility and the limits of authority vary according to the type of authority. The GCEO remains</p> |

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|  | <p>accountable to the Board for the authorities that are delegated to him, and for the performance of the Group.</p> <p>The Board together with its Management, are committed to promoting good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour.</p> <p>The principal responsibilities of the Board are set out in the Board Charter and the Board discharges the responsibilities accordingly as follows:-</p> <p><b>(i) Ensures that the Group's objectives are clearly established and that strategic plans are in place to achieve those objectives.</b></p> <p>In March 2018, the Board endorsed SCORE 2.0+, Pos Malaysia's Transformation Blueprint for the Company to continue the transformation plan designed under SCORE 2.0, which was established in 2016, and to strengthen the Company's capabilities in e-Commerce and Logistics.</p> <p>To ensure continuity and success in the transformation plan, Pos Malaysia has been continuously reviewing the Strategic Initiatives to adapt in an era of accelerating mail decline, digitalisation, changing customer demands and intense competition. There are three key strategic thrusts to enable a turnaround and continuing transformation i.e. to elevate customer experience, innovate our operating models and businesses; and actively engage with the regulators to address the Universal Service Obligations.</p> <p><b>(ii) Establishes policies to strengthen the Group's performance and ensures that Management proactively seeks to build the business through innovation, initiative, technology, new products and development of business capital.</b></p> <p>As a fundamental part of discharging the Board's responsibility to strengthen the Group's performance, the Board continuously improves and refines Management practices. For this purpose, the Board ensures that the Company has adequate policies in place to ensure consistency in Management practices. The Board and Management also periodically assess the adequacy of the existing policies within the Group and adopt new ones and/or improve the existing policies in order to strengthen the Group's performance.</p> |
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|  | <p><b>(iii) Adopts performance measures to monitor implementation and performance of the Group’s objectives, strategies, action plans and policies.</b></p> <p>An Annual Management Plan (“AMP”) comprising the Group’s Business Plan and Annual Budget is formulated and approved by the Board on an annual basis before the commencement of the new financial year to monitor the Group’s annual performance towards achieving the Strategic Plan and Initiatives. The actual achievement compared to the AMP is reviewed by the Board on a quarterly basis.</p> <p>The Board also approves a set of Corporate Key Performance Indicators (“KPIs”) for the achievement of the other financial targets and initiatives as set out in the AMP. The Corporate KPIs in turn become the KPIs of the Company’s GCEO. The KPIs of the GCEO are then cascaded to the Senior Management team members and the rest of the employees accordingly. The Board also monitors the performance of the Group against the AMP on a quarterly basis. After the closing of the financial year, the performance of the Company against the Corporate KPIs is assessed and an appropriate performance rating is accorded.</p> <p><b>(iv) Oversees the conduct of the Group’s business to evaluate whether the business is being properly managed.</b></p> <p>In assisting the Board to evaluate whether the business of the Company is being properly managed, the BAC is tasked with assessing the Group’s current processes, determining their adequacy and recommending improvements, if necessary. The Company’s Internal Audit Department (“IAD”) assists and supports the BAC in undertaking this responsibility.</p> <p><b>(v) Ensures that the Group has appropriate business and enterprise-wide risk management processes, including an adequate control environment based on internal control systems, management information systems and systems for compliance with applicable laws, rules and regulations.</b></p> <p>The IAD also audits the internal control system of the Group and presents its Audit Reports to the BAC on a quarterly basis highlighting any breach of internal controls and other areas of weaknesses.</p> <p>As for enterprise-wide risk management matters, Pos Malaysia has a dedicated Risk Management Department which is entrusted with the task of monitoring the Group’s risk matters. Risk Management Reports which highlight the Company’s Risk Register and Top Key Corporate Risks are tabled quarterly to the BRSCC for deliberation before the Reports are escalated to the Board for further deliberation.</p> |
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|  | <p>In reporting the Company's Corporate Risks to the BRSCC, the respective risk champions or risk owners are required to present their respective Corporate Risks to the BRSCC in order to provide an avenue for a more granular reporting and deliberations on a specific Corporate Risk. This enables the BRSCC to have a better insight on the said risk; hence, providing an opportunity to the BRSCC to make recommendations for improvement, if necessary.</p> <p>The BRSCC identifies the Top Key Risks of Pos Malaysia Group through evaluation of the consolidated key risks register. The selection of Top Key Risks with its respective risk profile would enable the Management to attend immediately to and monitor closely the key risks that are deemed crucial and of utmost concern to the Pos Malaysia Group.</p> <p><b>(vi) Appoints Board Committees to address specific issues, considers recommendations of the Board Committees and discusses problems and reservations arising from the Board Committees' deliberations.</b></p> <p>The Board delegates powers and authority to five Board Committees namely the BAC, BNRC, BTC, BRSCC and BDC, to carry out the respective responsibilities assigned to them within their respective terms of reference as approved by the Board.</p> <p>The compositions of these Board Committees are published under Corporate Information in the 2019 Annual Report. The Terms of Reference ("TORs") of these Board Committees which had been approved by the Board are contained in the Board Charter. Both the 2019 Annual Report and the Board Charter are accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a>. The 2019 Annual Report can also be downloaded from Bursa Malaysia Securities Berhad's ("Bursa Securities") website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a>.</p> <p><b>(vii) Ensures that the statutory accounts of the Group are fairly stated and conform to the relevant regulations including acceptable accounting policies.</b></p> <p>The BAC is delegated with the responsibility to ensure that the Group's statutory accounts are fairly stated and conform to the relevant regulations and acceptable accounting policies. In carrying out such responsibility, the BAC places focus particularly on major accounting policy changes, significant and unusual events, significant adjustments resulting from audit, going concern assumptions, key audit matters (if any), and compliance with accounting standards and other legal requirements.</p> |
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|  | <p><b>(viii) Ensures that an appropriate succession planning mechanism is in place for members of the Board and Senior Management positions.</b></p> <p>In determining succession planning for Board members, the Board is guided by the recommendation made under the Malaysian Code on Corporate Governance and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities Listing Requirements”) which stipulate that each Director should have the character, experience, integrity, competence and time to effectively discharge his/her role as a Director, taking into account the future needs and way forward for the Company. When carrying out the annual assessment, the BNRC would determine if there are gaps within the Board in terms of the type of experience and competency required for Board members to realise the Vision and Mission of the Company, and if need be, propose appointment of new Director(s) with the required skills set.</p> <p>Succession planning for the GCEO is determined by the Board upon recommendation of the BNRC.</p> <p>Succession planning for the Group Chief Operating Officer, Chief Executive Officers/Chief Operating Officers who are Heads of Business Clusters and/or active subsidiaries of Pos Malaysia, the Chief Financial Officer and the Chief Corporate Services (collectively “Chief Level Officers”) is deliberated by the BNRC which then makes the necessary recommendations to the Board for its consideration and approval.</p> <p><b>(ix) Ensures that the Group adheres to high standards of ethics and corporate behaviour, including transparency in the conduct of business.</b></p> <p>In addition to the Corporate Values, Whistle Blowing Policy and Procedures, Integrity Pact under the Group Procurement Policy, Anti-Money Laundering and Counter Financing Terrorism Policy, and Compliance Framework and Policy are in place to help inculcate good corporate and ethical behaviour in the conduct of the Group and its employees.</p> <p><b>Whistle Blowing Policy (“WB Policy”)</b></p> <p>The WB Policy was established in April 2008 with the objective of developing a culture of openness which requires the employees of the Group to observe high standards of business and personal ethics in the conduct of their duties and responsibilities and to comply with all applicable laws, regulations, procedures and policies of Pos Malaysia.</p> |
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|  | <p>The WB Policy provides a confidential and secure means of enabling the Board, employees of the Group and members of the public to raise concerns about instances of conduct that are contrary to applicable laws, regulations, policies and procedures that could affect the Company's business activities, especially where ethical behaviour is of particular importance.</p> <p><b>Integrity Pact under Group Procurement Policy</b></p> <p>Integrity Pact provides mandatory requirement for the vendor(s) for procurement involving a consideration sum of RM500,000 and above to submit a Statutory Declaration ("SD") on non-bribery commitment. All staff who are directly involved in the process of evaluation and/or negotiation for procurement involving a consideration sum of RM500,000 and above must sign the SD on non-conflict of interest and confidentiality of information.</p> <p><b>Anti-Money Laundering and Counter Financing of Terrorism Policy ("AML/CFT Policy")</b></p> <p>The AML/CFT Policy was established in compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLATFPUAA") that is governed by Bank Negara Malaysia specifically to prevent any use of Pos Malaysia's offerings for money laundering and financing of terrorism purposes.</p> <p><b>Compliance Framework and Policy</b></p> <p>The Compliance Framework and Policy serves as guidance for the Company to ensure the Company's business activities are carried out in compliance with the relevant Acts (Federal Laws, Common Laws and State Laws), Ordinance, Rules and Regulations (Administrative Code), and Guidelines.</p> <p>All the abovementioned Policies are accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a>.</p> <p>Members of the Board shall discharge their duties professionally, with due diligence and efficiency and to the best of their abilities. In discharging their duties, each member of the Board shall at all times abide by and conform to the Directors' Code of Conduct as set out in the Board Charter.</p> <p>(x) <b>Ensures that an appropriate public relations and communications programme, and an investor relations programme are in place.</b></p> <p>The Group has adopted the Communications Policy and Investor Relations Policy which govern communication activities</p> |
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|  | <p>externally and internally in line with the best practices laid down in the Corporate Disclosure Guide issued by Bursa Securities. The Communications Policy is extended to cover the Media Policy (Press, Broadcast and Online), Corporate Advertising Policy, Internal Communications Policy, Email Communications Policy, Corporate Social Responsibility Policy, and Donation and Sponsorship Policy.</p> <p>(xi) Ensures that there is a schedule of matters reserved for collective decision of the Board.</p> <p>The schedule of matters reserved for the collective decision of the Board is set out in the Board Charter and the LOA.</p> <p>The Board Charter will be reviewed from time to time, when necessary, to update and streamline the necessary provisions in the Board Charter to be in line with the regulatory changes and development and to reflect the relevant changes made to the TORs of the Board Committees.</p> <p>The LOA would be reviewed and revised, where necessary from time to time according to the circumstances and operational requirements of the Group.</p> |  |
| <b>Explanation for departure</b>   | :  |  |
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| <b>Measure</b>   | :  |  |
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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 1.2

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

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a>.</p> <p>The Chairman is responsible for representing the Board to the shareholders and for ensuring the integrity and effectiveness of the governance process of the Board. The Chairman maintains regular dialogues with the GCEO over all operational matters and shall promptly consult with the Board over any matter that gives her any cause of concern pertaining to the Group.</p> <p>The Chairman acts as a facilitator at meetings of the Board to ensure that no Director, whether Executive or Non-Executive, dominates discussions at Board meetings. She ensures that appropriate discussions take place and relevant opinions among Directors are forthcoming that result in logical and understandable outcomes.</p> <p>The key roles and responsibilities of the Chairman include the following:-</p> <ul style="list-style-type: none"><li>(i) Provides governance in matters requiring corporate justice and integrity;</li><li>(ii) Manages Board communication and Board effectiveness and effective supervision over Management;</li><li>(iii) Creates conditions for good decision-making during Board and shareholders meetings;</li><li>(iv) Ensures Board proceedings are in compliance with good conduct and practices;</li><li>(v) Protects the interest and provide for (if permissible) the information needs of various stakeholders;</li><li>(vi) Maintains good contact and effective relationship with external parties, investing public, regulatory agencies and trade associations;</li><li>(vii) Ensures that quality information to facilitate decision-making is delivered to the Board by Management in a timely manner; and</li><li>(viii) Ensures compliance with all relevant regulations and legislations.</li></ul> |
| <b>Explanation for departure</b>                  | : |  |

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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 1.3

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The roles of the Chairman and the GCEO are separate. The distinct and separate roles and responsibilities of the Chairman and the GCEO are provided in the Board Charter, which is accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a>.</p> <p>The positions of Chairman and GCEO are held by two different individuals. There is a clear division of responsibilities between the Chairman and the GCEO in the Board Charter to ensure that there is a balance of power and authority such that no one individual has unfettered powers over decision-making.</p> <p>The Chairman is responsible for representing the Board to the shareholders and is responsible for ensuring the integrity and effectiveness of the governance process of the Board.</p> <p>The overall business and day-to-day operations of the Group is managed by the GCEO who is not a Board member. The GCEO is accountable to the Board for the overall organisation, management and staffing of the Group and for its procedures in financial and operational matters, including conduct and discipline. The authority limits of the GCEO are stipulated in the Company's LOA duly approved by the Board.</p> |
| <b>Explanation for departure</b>   | : |   |
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| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

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

### Practice 1.4

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

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board is supported by the Company Secretary, Cik Sabarina Laila binti Mohd Hashim, who was a practicing lawyer specialising in Corporate and Commercial law and has over 25 years' working experience in the corporate secretarial field. She is a licensed secretary registered with the Companies Commission of Malaysia ("CCM") and is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016 ("Companies Act").</p> <p>On 21 May 2019, the Company appointed Puan Kamilia Nor binti Mohamad Kamal as joint company secretary, who is also a licensed secretary registered with CCM and is qualified to act as Company Secretary under Section 235(2) of the Companies Act.</p> <p>All Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties and responsibilities as Directors effectively. The Company Secretaries ensure the flow of information to the Board and the Board Committees.</p> <p>The Company Secretaries are responsible for developing and maintaining the processes that enable the Board to fulfil its roles, ensuring compliance with the Company's Constitution and the relevant guidelines, regulatory and statutory requirements, and advising the Board on all governance matters and its compliance thereof. The Company Secretaries also oversee the adherence to Board policies and procedures.</p> <p>The Board is apprised by the Company Secretaries of the latest amendments to the laws, rules and regulations from time to time and their application to the Group and/or the Board, where applicable.</p> <p>The Company Secretaries manage the processes and attend meetings of the Board, Board Committees and shareholders and ensure that deliberations at these meetings are properly documented and subsequently communicated to the relevant management for their further action. The Company Secretaries, together with the Directors, ensure that these meetings are properly conducted according to the applicable rules and regulations. The Company Secretaries also ensure proper upkeep of statutory registers and records of the Group.</p> |

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|   | <p>The Company Secretaries also assist and facilitate the Board in Directors' training and development. The Directors have on-going access to continuing education programmes as they are kept informed of relevant training programmes by the Company Secretaries. The records of all training programmes attended by the Directors are maintained by the Company Secretaries.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving regulatory changes and developments in corporate governance by attending relevant continuous professional development programmes, seminars, workshops and conferences organised by the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), Securities Commission, CCM and other relevant training organisations.</p> |  |
| <b>Explanation for departure</b>  | :  |  |
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| <b>Measure</b>  | :  |  |
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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.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Company Secretaries set the annual meeting calendar with scheduled Board and Board Committees' meetings in advance prior to the new financial year to allow the Board and Board Committee members to plan their schedules.</p> <p>The Board normally meets quarterly to review financial, operational and business performances, as well as other Board reserved matters, with additional meetings convened, when necessary. In the intervals between Board meetings, Board decisions for urgent matters are sought via circular resolutions, to which the Board paper with relevant and sufficient information is provided in order for the Board to make an informed decision.</p> <p>Notices of meetings are normally distributed at least two weeks prior to the meeting date. The agenda of meetings together with the relevant Board papers are distributed at least five business days prior to the meeting date to allow sufficient information and time for the Board and Board Committee members to review and evaluate the matters to be deliberated at the meetings. Occasionally, Board meetings or Board Committees' meetings may be held at short notice, when decisions of a time-critical nature need to be made. Senior Management of the Group attend the Board meetings to provide thorough insights into the business and affairs of the Group. External advisers, where necessary, are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.</p> <p>All Board and Board Committees' deliberations and decisions including views of the Board and Board Committee members, decision rationale and action items to be undertaken by Management are well documented in the minutes. Board and Board Committees' decisions and action items are also communicated to the Management after each meeting for appropriate action. The Company Secretaries will follow up with the Management on the status of actions to be taken on the action items which will be tabled to the Board at the next meeting accordingly.</p> <p>A Director who has an interest in any proposal or transaction, either direct or indirect, which is being presented to the Board for approval,</p> |

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|   | <p>will declare his or her interest and abstain from deliberation and voting of the same at the Board meeting.</p> <p>The minutes will be signed by the Chairman after each meeting as a correct record of the proceedings of the meeting upon confirmation by the Board or Board Committees at the following meetings.</p> <p>The Directors shall have unrestricted access to Management and to information pertaining to the Group's business affairs, including from the Company's external and internal auditors and consultants, to enable them to discharge their duties.</p> |  |
| <b>Explanation for departure</b>  | :   |  |
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| <b>Measure</b>  | :   |  |
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**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.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board has a formalised Board Charter which sets out inter alia, the roles and responsibilities of the Board, Board Committees, individual Directors, Chairman, GCEO and Company Secretary. The Board Charter aims to assist the Directors to better appreciate their roles and responsibilities, thus ensuring the long-term objectives of the Group are met.</p> <p>The Board Charter also covers the composition of the Board, procedures for convening Board meetings, Directors' remuneration and training, Board evaluation, Directors' Code of Conduct, relationship with shareholders and stakeholders, Board reserved matters for Board's approval and terms of reference of the Board Committees.</p> <p>The Board delegates the day-to-day management of the Group's businesses to the GCEO and the overall business and operations of the Group is managed by the GCEO who is not a Board member. The GCEO is accountable to the Board for the overall organisation, management and staffing of the Group and for its procedures in financial and operational matters, including conduct and discipline. The authority limits of the GCEO are stipulated in the Company's LOA duly approved by the Board. The Board also delegates certain responsibilities to various Board Committees with defined terms of reference.</p> <p>The Board Charter will be reviewed from time to time, when necessary, to update and streamline the necessary provisions in the Board Charter to be in line with the regulatory changes and development and to reflect the relevant changes made to the TOR of the Board Committees. The Board Charter is accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a>.</p> |
| <b>Explanation for departure</b>                  | : |  |



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| <b>Measure</b> :   |  |  |
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### Intended Outcome

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

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

### Practice 3.1

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

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

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Pos Malaysia Code of Conduct and Business Ethics ("PMCCBE") provides the guidelines and commitment of the Company to carry out the business in the most professional, fair and transparent ways by avoiding self-interest and improper work ethics. The contents of the PMCCBE include:-</p> <ul style="list-style-type: none"><li>i) Responsibility and Accountability, which specify the responsibility of each individual in promoting good business conduct - roles of senior, middle and lower management as well as vendors, suppliers and contractors;</li><li>ii) Job value, which specifies the commitment of each employee to perform his/her duty without compromising the Company's integrity – value of trust, avoidance of personal interest, healthy work practice and etc;</li><li>iii) Company image, which specifies the responsibility of each individual to protect the Company's interest and provide healthy work practice, which includes professional appearance, protection of Company's assets, protection of intellectual property and safe keeping of confidential information;</li><li>iv) Personal declaration of individual property and involvement in business;</li><li>v) Dealing with outsiders, which specifies the professionalism and integrity in venturing into legitimate and ethical business by avoiding self-interest, corruption, money laundering, bribery, insider trading and personal contribution;</li><li>vi) Dealing with the government, NGOs and political organisations – compliance to various acts such as the AMLATFPUAA, Anti-Corruption Act 1997, Personal Data Protection Act 2012 and etc;</li></ul> |

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|  | vii) Dealing with vendor and competitors – transparency in doing business, protection of legitimate business information, principle of fair competition; and<br>viii) Disciplinary and Misconduct – punishment for non-compliance of PMCCBE. |  |
| <b>Explanation for departure</b>   |  |  |
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| <b>Measure</b>   |  |  |
| <b>Timeframe</b>   |  |  |

**Intended Outcome**

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

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

**Practice 3.2**

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

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>Pos Malaysia has in place a WB Policy since 2008, with the objective of developing a culture of openness and promoting high standards of business and personal ethics amongst the employees of the Group in the conduct of their duties and responsibilities and also to comply with the relevant laws, regulations as well as the procedures and policies of the Company. It was revisited in February 2017 for enhancement in terms of its scope to receive reports from not only employees but also members of the public regarding any breach or suspected breach of any laws or regulations, including business principles and the Group's policies and guidelines, in a safe and confidential manner.</p> <p>Disclosure of information can be made to one or more of the following persons within the Company:</p> <ol style="list-style-type: none"><li>1. Chief Internal Auditor ("CIA")</li><li>2. GCEO</li><li>3. BAC Chairman</li><li>4. Senior Independent Director</li></ol> <p>Any complaints and concerns regarding the CIA can be channelled directly to the BAC Chairman. Any complaints and concerns regarding the GCEO and any members of the Board can be channelled directly to the BAC Chairman and/or Senior Independent Director.</p> <p>The WB Policy and its disclosure procedure are accessible to the public for reference on the Company's website and displayed at branches to raise concerns on any wrongdoings or acts of corruption. The Whistle blowing programme is administered by the Internal Audit Department whereby concerns received are directed to the Investigation Unit for necessary actions. All cases are subjected to due process of investigation and any reports produced will be presented to the BAC.</p> |
| <b>Explanation for departure</b>                  | : |  |

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

### Intended Outcome

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

### Practice 4.1

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>For the financial year under review, the Board consisted of nine members, comprising four Non-Independent Non-Executive Directors and five Independent Non-Executive Directors. A majority of the Board members are Independent Non-Executive Directors to ensure balance of power and authority on the Board.</p> <p>Currently, as at the date of this Report, the Board comprises eight members, comprising three Non-Independent Non-Executive Directors and five Independent Non-Executive Directors.</p> <p>A self-assessment on independence was carried out during the financial year ended 31 March 2019 by all the Independent Non-Executive Directors, using the criteria of independence prescribed under the Bursa Securities Listing Requirements. All the Independent Non-Executive Directors confirmed satisfaction of all the criteria of independence. The BNRC reviewed the same and agreed that the Independent Non-Executive Directors are able to exercise independent and objective judgment in carrying out their duties as Independent Directors. This pronouncement was subsequently endorsed by the Board.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

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

### Practice 4.2

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

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied - Annual shareholders' approval for independent directors serving beyond 9 years  |
| <b>Explanation on application of the practice</b> | : | <p>There are two Independent Non-Executive Directors namely, Dato' Ibrahim Mahaludin bin Puteh ("Dato' Ibrahim") and Dato' Abdul Hamid bin Sh Mohamed ("Dato' Hamid"), who have served on the Board for a cumulative term of more than nine years.</p> <p>Based on the annual assessment on independence of the Independent Non-Executive Directors conducted, Dato' Ibrahim and Dato' Hamid have continued to display the highest level of integrity and all characteristics of an Independent Director based on the following justifications:-</p> <ul style="list-style-type: none"><li>(i) They had fulfilled the criteria as Independent Directors as prescribed under the Bursa Securities Listing Requirements. Therefore, both are able to exercise independent and objective judgement;</li><li>(ii) They have the relevant experience, possess in-depth knowledge of Pos Malaysia's business operations, proven commitment, and contribute actively and positively during Board and Board Committees' deliberations. They had also displayed high level of competency and integrity to effectively advise and provide oversight of the management of the Company;</li><li>(iii) They had devoted sufficient time and effort to attend all Board and Board Committees' meetings for regular updates and balanced decision-making. They are still able to exercise independent and balanced judgement, and demonstrate objectivity in their deliberation in the best interest of the Company; and</li><li>(iv) They had exercised due care as Independent Directors of Pos Malaysia and carried out their fiduciary duties in the interests of the Company, shareholders as well as stakeholders.</li></ul> |

|   |  |  |
|---|--|--|
|   | <p>The Company would be seeking shareholders' approval at the forthcoming AGM of the Company scheduled for 18 September 2019 to retain Dato' Ibrahim and Dato' Hamid as Independent Directors.</p> <p>None of the Independent Directors has served more than 12 years.</p> |  |
| <b>Explanation for departure</b>  | :  |  |
|   | :  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |  |
| <b>Measure</b>  | :  |  |
| <b>Timeframe</b>  | :  |  |



**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Not Adopted   |
| <b>Explanation on adoption of the practice</b> | : | Independent Directors may continue to serve beyond nine years subject to shareholders' approval at AGM, provided that there is strong justification to retain them and they have been assessed on their independence accordingly. |

### Intended Outcome

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

### Practice 4.4

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The BNRC is responsible for reviewing and recommending to the Board, any new appointment of Director, which is based on merit, skills and experience with due regard to the requirements of Chapter 2, Paragraph 2.20A of the Bursa Securities Listing Requirements.</p> <p>In evaluating the suitability of individuals for appointment of Board membership, the BNRC considers the requisite mix of skills, knowledge, expertise, experience, professionalism, competency, integrity, character, time commitment, number of directorships, and composition requirements for Board and Board Committees as priority to ensure that there is an appropriate mix of diversity, skills, experience and expertise represented on the Board.</p> <p>Diversity of gender, ethnicity and age within the Board is also important, and this includes appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition and functions. The Board takes cognisance of board diversity whenever a vacancy arises to ensure a balanced and diverse Board composition.</p> <p>Appointments of the GCEO and other key Senior Management are also based on objective criteria, merit and with due regard to diversity in skills, experience, age, cultural background and gender.</p> |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 4.5

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

|  |   |  |   |
|--|---|--|---|
| <b>Application</b>   | : | Departure  |   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has formalised a Board Diversity Policy and such policy is contained in the Board Charter which is published on Pos Malaysia’s website at <a href="http://www.pos.com.my">www.pos.com.my</a>.</p> <p>The Board supports the gender boardroom diversity as recommended under the Malaysian Code on Corporate Governance. Nevertheless, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board will remain a priority.</p> |   |
| <b>Explanation for departure</b>   | : | <p>With the appointment of Datuk Yasmin binti Mahmood as Chairman of the Company on 1 April 2019, there are currently three female Directors out of the total eight Directors, representing 37.5% of the total Board members.</p>  |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |   |
| <b>Measure</b>   | : |  |   |
| <b>Timeframe</b>   | : | Others   | Applied following the appointment of Datuk Yasmin binti Mahmood as Chairman of the Company on 1 April 2019. |

### Intended Outcome

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

### Practice 4.6

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>One of the functions of the BNRC is to propose to the Board for its consideration suitable candidates for appointment as Directors of Pos Malaysia.</p> <p>The Board will seek recommendation/referral from various sources including its existing Directors, major shareholders and a wide network of industry contacts including independent sources, where required, to source and nominate suitable candidates for appointment as Directors. Nomination for appointment of Director also comes from MOF Inc as the Special Shareholder holding one Special Rights Redeemable Preference Share in Pos Malaysia. MOF Inc has the right to appoint up to two Board representatives on the Board of Pos Malaysia.</p> <p>The list of candidatures obtained from external sources is limited due to the nature of the industry and the highly regulated environment in which the Group operates.</p> <p>When evaluating a candidate for new appointment, the BNRC takes into account the candidates' skills, knowledge, expertise, experience, professionalism and integrity. The BNRC also considers gender diversity in reviewing the appropriate proportion of female to male Directors on the Board for any new appointment. In the case of a candidate for the position of an Independent Director, the BNRC would consider the candidate's ability to discharge such responsibilities/functions as expected of an Independent Director. The Board will then make the final decision on the appointment of the Director upon recommendation of the BNRC.</p> <p>As Pos Malaysia is licensed by Bank Negara Malaysia ("BNM") under the Money Services Business Act 2011 for its remittance business and is also licensed by the Malaysian Communications and Multimedia Commission ("MCMC") under the Postal Services Act 2012 for its postal services, all new appointment of Directors are also subject to the fulfilment of a "fit and proper" test as prescribed by BNM and MCMC.</p> |
| <b>Explanation for departure</b>                  | : |   |

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

**Intended Outcome**

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

**Practice 4.7**

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

|  |   |   |   |
|--|---|---|---|
| <b>Application</b>   | : | Departure   |   |
| <b>Explanation on application of the practice</b>  | : |   |   |
| <b>Explanation for departure</b>   | : | The previous composition of the BNRC had comprised the Chairman, who is Non-Independent Non-Executive Director, and three Independent Non-Executive Directors.  |   |
|  |   | Following the resignation of Dato’ Mohammad Zainal bin Shaari as Chairman of the Board and BNRC, Dato’ Ibrahim Mahaludin bin Puteh, the Senior Independent Director was appointed as Chairman of the BNRC in replacement thereof. |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |   |
| <b>Measure</b>   | : |   |   |
| <b>Timeframe</b>   | : | Others  | Applied following the appointment of Dato’ Ibrahim Mahaludin bin Puteh, the Senior Independent Director as Chairman of the BNRC on 1 April 2019 |

**Intended Outcome**

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

**Practice 5.1**

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

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The BNRC is entrusted by the Board under its TOR with carrying out the necessary evaluation of the effectiveness of the Board, Board Committees and individual Directors on an annual basis to ensure that the Board has the appropriate mix of skills and experiences and discharges its duties effectively.</p> <p>The annual evaluation on the effectiveness of the Board and Board Committees was conducted and facilitated by the Company Secretaries through self-assessment methodologies whereby the questionnaires were given to all the members of the Board and the respective Board Committees for assessment.</p> <p>The criteria used in the assessment for the Board and Board Committees encompassed the Board and Board Committees' roles and responsibilities, mix of characteristics, experiences, skills, conduct of meetings, participation and contribution of Board members in meetings, Board diversity (including gender diversity) and the overall performance of the Board and the Board Committees.</p> <p>The BNRC also carried out an assessment on the independence of each Independent Director in accordance with the criteria of independence as stipulated under Bursa Securities Listing Requirements in order to ensure that the Independent Directors are capable of exercising their duties and judgment independently.</p> <p>The BNRC reviewed and was satisfied with the structure, size, balance and composition of the Board and Board Committees including terms of office of its members, and recommended to the Board for endorsement to maintain the current structure, size and composition of the Board and Board Committees as well as the terms of office of its members.</p> <p>The abovementioned assessments of the Board and Board Committees as well as independence of Independent Directors were undertaken for the Period Under Review and internally facilitated by the Company Secretaries. The results of the assessments as well as the comments and</p> |

suggestions made thereon were deliberated by the BNRC and the necessary action plans for improvement were thereafter proposed for consideration and approval by the Board.

Based on the results of the assessments, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively.

The details of the training programmes attended by the BAC members during the financial year ended 31 March 2019 were as follows:-

| No. | Name  | Training Attended   |
|-----|---|---|
| 1.  | Dato' Ibrahim Mahaludin bin Puteh               | <ul style="list-style-type: none"> <li>• Qualified Risk Director Programme: Series 7 Establishing An Empowered Board Risk Committee</li> <li>• Seminar on Introduction to Corporate Liability Provision: What It Is, How Will My Company Be Affected, And What Do I Need To Put In Place By Way Of Safeguards?</li> <li>• Would a Business Judgment Rule Help Directors Sleep Better at Night?</li> <li>• First Mile &amp; Marketplace</li> <li>• Last Mile Delivery</li> </ul> |
| 2.  | Dato' Sri Syed Faisal Albar bin Syed A. R Albar | <ul style="list-style-type: none"> <li>• First Mile &amp; Marketplace</li> <li>• Last Mile Delivery</li> </ul>  |
| 3.  | Dato' Abdul Hamid bin Sh Mohamed                | <ul style="list-style-type: none"> <li>• Conference for Members of the Audit Committee and Risk Management Committee</li> <li>• Shariah, Islamic Banking &amp; Finance</li> <li>• Khazanah Megatrends Forum 2018</li> <li>• Malaysia: A New Dawn Conference</li> <li>• FIDE Core Programme - Module B (Bank)</li> <li>• MMC In-House Directors' Training Programme: Understanding Blockchain Technology and Its Potential</li> <li>• First Mile &amp; Marketplace</li> </ul>    |



|                                    |    |  |  |
|------------------------------------|----|--|--|
|                                    |    |  | <ul style="list-style-type: none"> <li>• Last Mile Delivery</li> </ul>   |
|                                    | 4. | Datuk Puteh Rukiah binti Abd Majid     | <ul style="list-style-type: none"> <li>• The Essence of Independence</li> <li>• Half-Day Seminar on Board Evaluation &amp; Board Effectiveness Assessment</li> <li>• Annual National Procurement and Integrity Forum</li> <li>• First Mile &amp; Marketplace</li> <li>• Last Mile Delivery</li> </ul>  |
|                                    | 5. | Datuk Idris bin Abdullah @ Das Murthy  | <ul style="list-style-type: none"> <li>• FinTech and the Transformation in Financial Services</li> <li>• NEM Enterprise Training – Introduction to Blockchain</li> <li>• Qualified Risk Director Programme :Cybersecurity in the Boardroom</li> <li>• Breakfast Talk Series#3:Sustainability &amp; Business</li> <li>• Design Thinking for Innovation</li> <li>• First Mile &amp; Marketplace</li> <li>• Last Mile Delivery</li> </ul>   |
|                                    | 6. | Sharifah Sofia binti Syed Mokhtar Shah | <ul style="list-style-type: none"> <li>• Enhancing Board Leadership</li> <li>• Corporate Liability Provision</li> <li>• Mandatory Accreditation Programme</li> <li>• MMC In-House Directors' Training Programme: Understanding Blockchain Technology and Its Potential</li> <li>• RPTs &amp; Conflict of Interest, including the “Arms – Length” issue on Transactions</li> <li>• Seminar on Companies Act 2016 Made Simple : A Practical Guide for Company Directors</li> <li>• First Mile &amp; Marketplace</li> <li>• Last Mile Delivery</li> </ul> |
|                                    | 7. | Ahmad Suhaimi bin Endut                | <ul style="list-style-type: none"> <li>• First Mile &amp; Marketplace</li> <li>• Last Mile Delivery</li> </ul>   |
| <b>Explanation for departure</b> : |    |  |  |
|                                    |    |  |  |

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

|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : | The Board endeavours to engage an independent consultant to facilitate the evaluation exercise, periodically or where necessary in future. |  |
| <b>Timeframe</b> | : | 1 year   |  |

### Intended Outcome

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

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

### Practice 6.1

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

| <b>Application</b>                                | :                    | Applied  |                        |                      |  |          |         |       |         |        |                       |        |        |                        |       |       |
|---|----------------------|--|------------------------|----------------------|--|----------|---------|-------|---------|--------|-----------------------|--------|--------|------------------------|-------|-------|
| <b>Explanation on application of the practice</b> | :                    | <p>The BNRC ensures that the level and composition of remuneration of Directors, GCEO and other Chief Level Officers are fair to attract and retain the Directors, GCEO and other Chief Level Officers of the right calibre, experience and quality needed to drive and manage the Group successfully.</p> <p><u>Remuneration policies for Non-Executive Directors</u></p> <p>The Board determines and decides the fees and remuneration payable to Non-Executive Directors as a whole based on their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors. Non-Executive Directors will be paid a basic fee as ordinary remuneration and a sum based on their responsibilities in the Board Committees and the number of meetings attended.</p> <p>Besides Directors' fees, Non-Executive Directors will also be paid meeting allowances for every Board and Board Committee meeting, and general meeting that they attend. The Company also reimburses reasonable expenses incurred by the Directors in the course of their performance of duties as Directors.</p> <p>The yearly Directors' Fees and meeting allowances for Non-Executive Directors are as follows:-</p> <table><tr><th rowspan="2">Board/Board Committees</th><th colspan="2">Directors' Fees (RM)</th></tr><tr><th>Chairman</th><th>Members</th></tr><tr><td>Board</td><td>120,000</td><td>80,000</td></tr><tr><td>Board Audit Committee</td><td>15,000</td><td>10,000</td></tr><tr><td>Other Board Committees</td><td>8,000</td><td>6,000</td></tr></table> | Board/Board Committees | Directors' Fees (RM) |  | Chairman | Members | Board | 120,000 | 80,000 | Board Audit Committee | 15,000 | 10,000 | Other Board Committees | 8,000 | 6,000 |
| Board/Board Committees                            | Directors' Fees (RM) |  |                        |                      |  |          |         |       |         |        |                       |        |        |                        |       |       |
|   | Chairman             | Members  |                        |                      |  |          |         |       |         |        |                       |        |        |                        |       |       |
| Board   | 120,000              | 80,000   |                        |                      |  |          |         |       |         |        |                       |        |        |                        |       |       |
| Board Audit Committee                             | 15,000               | 10,000   |                        |                      |  |          |         |       |         |        |                       |        |        |                        |       |       |
| Other Board Committees                            | 8,000                | 6,000  |                        |                      |  |          |         |       |         |        |                       |        |        |                        |       |       |

|   |                           |   |                                    |
|---|---------------------------|---|------------------------------------|
|   | <b>Meeting Allowances</b> |   | <b>Amount per meeting attended</b> |
|   | a.                        | Board of Directors                                  | RM1,000                            |
|   | b.                        | Board Audit Committee                               | RM2,500                            |
|   | c.                        | Board Nomination and Remuneration Committee         | RM1,000                            |
|   | d.                        | Board Risk, Sustainability and Compliance Committee | RM1,000                            |
|   | e.                        | Board Tender Committee                              | RM1,000                            |
|   | f.                        | Board Digital-First Committee                       | RM1,000                            |
|   | g.                        | General meeting                                     | RM1,000                            |
| <p>Both Directors' fees and benefits are subject to shareholders' approval at the Company's AGM pursuant to Section 230(1) of the Companies Act.</p> <p><u>Remuneration policies for GCEO and other Chief Level Officers</u></p> <p>The level and make-up of the remuneration of the GCEO and other Chief Level Officers are structured so as to link rewards with corporate and individual performances. The BNRC determines and recommend to the Board for approval, the Corporate KPIs and structures the rewards for the GCEO and Chief Level Officers based on their performance against the Corporate KPIs set.</p> <p>The Salary Review Exercise for Executives was conducted in April 2016 with the objective of ensuring that the remuneration of employees is aligned with the prevailing market rate. The exercise involved external salary benchmarking with public listed and multinational companies based on Hay Group's Salary and Remuneration Report.</p> <p>The new salary scale for executives including Senior Management was established to replace the old salary scale that had been practiced since 2011. The salary review exercise has put most Senior Management salary at P50 percentile of market practice which is considerably competitive compared to (the practice in) the services and courier industry. Salary adjustments and benefit reviews for Senior Management were implemented in July 2017 in accordance with the Salary Review Exercise.</p> |                           |   |                                    |
| <b>Explanation for departure</b>  |                           | :   |                                    |
|   |                           | :   |                                    |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>   |                           |   |                                    |
| <b>Measure</b>  |                           | :   |                                    |
| <b>Timeframe</b>  |                           | :   |                                    |

### Intended Outcome

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

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

### Practice 6.2

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

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The BNRC comprises four Non-Executive Directors, three of whom are Independent.</p> <p>The BNRC is also entrusted by the Board to implement policies and procedures on matters relating to the remuneration of Board, GCEO and other Chief Level Officers as illustrated in Practice 6.1.</p> <p>The TOR of the BNRC which deal with its authority, duties and responsibilities, are accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a> and in the Board Charter.</p> <p>The BNRC meets as and when required, and at least once a year. The BNRC met five times during the financial year ended 31 March 2019.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

## Intended Outcome

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  | : | Details of the remuneration of individual Directors of Pos Malaysia for the financial year ended 31 March 2019 are as follows:- |  |  |  |
|   |   |   |  |  |  |
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| Explanation for departure   | : |   |  |  |  |
|   |   |   |  |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |   |  |  |  |
| Measure   | : |   |  |  |  |
| Timeframe   | : |   |  |  |  |

## Intended Outcome

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  | :                                     | The Board is of the opinion that disclosing the remuneration of Senior Management will not be in the best interest nor to the advantage to the Group considering the highly competitive employment market for talents. It may also give rise to talent management and retention issues  |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| Explanation for departure   | :                                     | <p>The aggregated total remuneration of key management personnel of the Group is disclosed in Note 6 of the Audited Financial Statements of the Company for the financial year ended 31 March 2019.</p> <p>The top five Senior Management’s remuneration (including salary, bonus, allowances and other emoluments) are disclosed in the bands of RM50,000, as follows:-</p> <table><tr><th>Range of remuneration *<br/>(per annum)</th><th>Number of Senior Management Personnel</th></tr><tr><td>RM650,001 to RM700,000</td><td>1</td></tr><tr><td>RM700,001 to RM750,000</td><td>1</td></tr><tr><td>RM750,001 to RM800,000</td><td>1</td></tr><tr><td>RM1,050,001 to RM1,100,000</td><td>1</td></tr><tr><td>RM1,150,001 to RM1,200,000</td><td>1</td></tr></table> <p>Currently, the performance of Senior Management personnel is evaluated on an annual basis and measured against their KPIs set for the year. The Board will ensure that the remuneration for the Senior Management personnel commensurate with their performance in order to attract, retain and motivate them to contribute positively to the Group’s performance.</p> |  | Range of remuneration *<br>(per annum) | Number of Senior Management Personnel | RM650,001 to RM700,000 | 1 | RM700,001 to RM750,000 | 1 | RM750,001 to RM800,000 | 1 | RM1,050,001 to RM1,100,000 | 1 | RM1,150,001 to RM1,200,000 | 1 |
| Range of remuneration *<br>(per annum)  | Number of Senior Management Personnel |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| RM650,001 to RM700,000  | 1                                     |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| RM700,001 to RM750,000  | 1                                     |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| RM750,001 to RM800,000  | 1                                     |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| RM1,050,001 to RM1,100,000  | 1                                     |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| RM1,150,001 to RM1,200,000  | 1                                     |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |                                       |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| Measure   | :                                     | The Board will continue to evaluate the implications and will make the necessary disclosures if satisfied that it is in the best interest of the Group to do so.  |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |
| Timeframe   | :                                     |   |  |  |                                       |                        |   |                        |   |                        |   |                            |   |                            |   |

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Chairman of the BAC is Dato' Abdul Hamid bin Sh Mohamed, an Independent Non-Executive Director who is not the Chairman of the Board.</p> <p>The BAC comprises three members, all of whom are Independent Non-Executive Directors.</p> <p>Details of the composition and activities of the BAC are set out in the Audit Committee Report contained in the Annual Report 2019.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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  | : | <p>None of the members of the BAC of Pos Malaysia was a former key audit partner.</p> <p>The TOR of the BAC had been revised and adopted by the Board on 28 May 2018 to include the observation of a cooling-off period of at least two years before a former key audit partner can be appointed as a member of the BAC.</p> |  |
| Explanation for departure   | : |  |  |
|   |   |  |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |  |
| Measure   | : |  |  |
| Timeframe   | : |  |  |

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The BAC's TOR cite among others, the functions and duties of the BAC in recommending to the Board, the terms of engagement of the external auditor.</p> <p>The Board established the Policy on External Auditor's Independence in 2014.</p> <p>The BAC reviewed the engagement and independence of the external auditor, their scope, approach in the conduct of the audit examination, their focus on key audit matters and reports on the financial statement of the Group and met with the external auditor at least once a year without the presence of the Management.</p> <p>The BAC also reviewed the overall performance of the external auditor through online evaluation questionnaires and, upon satisfactory assessment of the effectiveness of the external auditor, recommended their reappointment and fees payable in respect of the scope of work performed to the Board for approval.</p> <p>The TOR of BAC are accessible on Pos Malaysia's website at <a href="http://www.pos.com.my">www.pos.com.my</a> and in the Board Charter.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | The BAC comprises three members, all of whom are Independent Directors. |

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>All members of the BAC are financially literate and have sufficient understanding of the Group's businesses. They are well-equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the BAC in accordance with the TOR of the BAC. The Chairman of the BAC is a Chartered Certified Accountant with the Association of Chartered Certified Accountants and was the former Chief Financial Officer of Bursa Securities. The qualification and experience of each member of the BAC are disclosed in the Profile of Board of Directors section of the Annual Report 2019 of the Company.</p> <p>The Board through the BNRC, reviews the term of office of the BAC members and assesses the performance of the BAC and its members through an annual evaluation. Based on the outcome of the evaluation for the financial year ended 31 March 2019, the Board was satisfied with the BAC's performance.</p> <p>All members of the BAC had undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.</p> <p>The members of the BAC would be briefed on the relevant changes in the financial reporting standards by the external auditor at the BAC meeting.</p> <p>The detailed report of the BAC's activities for the financial year ended 31 March 2019 is set out in the Audit Committee Report contained in the Annual Report 2019 of the Company.</p> |
| <b>Explanation for departure</b>                  | : |  |

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

## Intended Outcome

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

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

## Practice 9.1

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board recognises the fact that an effective risk management practice is a critical component of a sound system of risk management and internal control. In view of this, there is a systematic process to identify, evaluate and manage significant risks faced by the Group that may impede the achievement of the Group's objectives.</p> <p>The Board has a stewardship responsibility to understand these risks, communicate the requirements of this policy and to guide the organisation in dealing with these risks.</p> <p>The policies of the Board are:</p> <ul style="list-style-type: none"><li>• To manage risks proactively;</li><li>• To manage risks pragmatically to acceptable levels given the particular circumstance of each situation;</li><li>• To manage risk routinely and in an integrated and transparent way in accordance with good governance practices; and</li><li>• To ensure that an effective and formalised Enterprise Risk Management ("ERM") Policy and Procedure Manual ("Framework") are established and maintained by the Group.</li></ul> <p>The Group adopts the ISO 31000 Risk Management Standards as a primary foundation and reference for the ERM framework. Via this standard, the Group aims to achieve a common understanding of consistent and effective ERM implementation across the Group. At the same time, the framework facilitates the Management in making sound business decisions with the aspiration to lead the Group towards a more proactive and inclusive risk management approach to mitigate threats and to capitalise on opportunities.</p> |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |



## Intended Outcome

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

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

## Practice 9.2

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Group adopts the ISO 31000 Risk Management Standards as the primary foundation and reference for the ERM framework. The key features of the ERM framework are elaborated as follows:-</p> <p>i. <b>Establishing the Context:</b><br/>To identify strategic objectives in both external and internal environment in which these strategic objectives are being pursued. External environmental factors include the effects of competition, regulations, etc while internal environmental factors consist of business processes, capabilities, organisational culture, strategic plans, etc.</p> <p>ii. <b>Risk Identification:</b><br/>To identify and define the specific risks and sources of risks such as threat of substitution and/or digitalisation that will impact mail business performance. Risks that have been identified will be categorised into one of the following categories:-</p> <p>a. Market and Business Risk – exposure to uncertainty due to competition and/or fiscal policy changes which are external to the Group and beyond the control of the organisation.</p> <p>b. Strategic Risk – exposure to uncertainty arising from long-term or short-term policy decisions based on current strategy of the Group.</p> <p>c. Operational Risk – exposure to uncertainty arising from daily strategic business activities related to business operation, process or technology.</p> <p>d. Reputational Risk – exposure to uncertainty arising from brand or image of the Group.</p> <p>e. Information/System Risk – exposure to uncertainty arising from cyber threat, loss or inaccuracy of data, Information Technology ("IT") systems or reported information.</p> <p>f. Financial Risk – exposure related to loss of monetary resources or incurring unacceptable liabilities.</p> <p>g. Organisational Risk – exposure related to the organisational structure, management, and employees (skills, competencies, etc).</p> |

|  |   |
|--|---|
|  | <p>h. Compliance Risk – exposure to uncertainty arising from inadequacy of compliance to require mandatory or established regulations and policies.</p> <p>i. Sustainability Risk – exposure related to sustainability matters namely environmental, economic and social whilst conducting the business.</p>  |
|  | <p>iii. <b>Risk Analysis:</b><br/>This involves due consideration of the causes of risk, their positive and negative impact and the likelihood of occurrence. Risk is assessed by considering its impact and likelihood.</p>  |
|  | <p>iv. <b>Risk Evaluation:</b><br/>To make decisions about further actions whether a risk needs to be managed or mitigated. Risks with high exposures will be prioritised accordingly after considering cost-benefit analysis.</p>  |
|  | <p>v. <b>Risk Treatment:</b><br/>Process of initiating responsive or pre-emptive actions for managing risks and restricting those to tolerable levels i.e. within the Group’s risk appetite levels. There are a range of options to response to risks listed as per below:-</p> <ul style="list-style-type: none"> <li>• <b>Terminate (Avoid):</b><br/>Deciding not to pursue with the activities that will likely generate the risks.</li> <li>• <b>Treat (Mitigate):</b><br/>Introducing controls or action plans to manage the risks.</li> <li>• <b>Transfer (Spread):</b><br/>Transferring or sharing the risk with third parties, e.g. insurance, hedging, joint ventures, outsourcing and smart partnerships etc.</li> <li>• <b>Take (Accept):</b><br/>Using the strength and capabilities of the Group to accept the risks to build competitive edge over others.</li> </ul> |
|  | <p>vi. <b>Monitoring and Reviewing:</b><br/>Monitoring ensures that as risks change due to their dynamic nature, new measures are introduced to manage these risks. Monitoring and reviewing also involve learning lessons from the risk management process by reviewing events, the action plans and their outcomes.</p>   |
|  | <p>vii. <b>Communication and Consultation:</b><br/>This takes place in each step of the risk management process to ensure that views of stakeholders, management and the Board are taken into account. The communication flows vertically (both top-down and bottom-up approaches) and horizontally (across departments). Key risks are being communicated formally via periodic risk reporting to Risk Management and Compliance Committee (“RMCC”), as well as the BRSCC. Any</p>   |

|   |   |  |
|---|---|--|
|   | <p>constraints/limitations in managing risks will be highlighted in such report for decision or consent.</p> <p>The RMCC is supported by the Risk Management Department (“RMD”) and Compliance Department respectively. RMD’s role is to monitor, analyse and report the risks that are being identified enterprise-wide as well as facilitate in the risk assessment process. RMD also evaluates the risk policies and procedures, and initiates improvements by maintaining awareness of trends and developments in risk management that may have significant impact to the organisation.</p> <p>Risk owners will ensure that the risk registers and risk profiles are updated accordingly. The risk registers and risk profiles are updated quarterly, and the consolidated reports are tabled to the RMCC, BRSCC and Board.</p> |  |
| <b>Explanation for departure</b>  | :   |  |
|   |   |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | :   |  |
| <b>Timeframe</b>  | :   |  |

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | The BRSCC comprises three members, all of whom are Independent Directors. |

### Intended Outcome

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

### Practice 10.1

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has established an in-house internal audit function for Pos Malaysia and its group of companies. The CIA, as the Head of IAD reports directly to the BAC on a functional basis and to the GCEO administratively.</p> <p>In this respect, the CIA periodically reports on the activities performed as well as key control issues noted by the internal auditors to the BAC.</p> <p>The IAD undertakes an independent assessment on the internal control system of the Group and on a quarterly basis, provides assurance to the BAC that no material issue or major deficiency has been noted which would pose a high risk to the overall system of internal control under review.</p> <p>To ensure that the responsibilities of IAD are fully discharged, the BAC reviews:-</p> <ol style="list-style-type: none"><li>the appointment and removal of the CIA;</li><li>the adequacy of the IAD's scope, competency level, experience, and resources of the function; and</li><li>the IAD's performance.</li></ol> <p>The IAD engagements were carried out based on annual audit plan approved by the BAC. The results of the audits as disclosed in the IAD reports were reviewed by the BAC.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

## Intended Outcome

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

## Practice 10.2

The board should disclose—

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

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>In accordance with the Internal Audit Charter of Pos Malaysia (Section 2.3 Objectives and 2.4 Independence), internal auditors are required to act as an independent function that adds value to improve the operations of Pos Malaysia. The CIA who heads the IAD reports directly to the BAC on a functional basis and to the GCEO administratively.</p> <p>The IAD has 23 personnel comprising the CIA and 22 internal auditors. The CIA, Encik Annas bin Bahari is a Chartered Member of the Institute of Internal Auditors Malaysia, a Chartered Member of Malaysian Institute of Accountants and a Fellow Member of CPA Australia. Academically, he holds a Bachelor of Commerce Degree from University of New South Wales, Australia and Executive Master in Management from Asia Metropolitan University, Cyberjaya. The internal auditors have various qualifications including the Certified Information Systems Auditor and Master of Business Administration, and members of the Institute of Internal Auditors Malaysia, Malaysian Institute of Accountants and Association of Chartered Certified Accountants.</p> <p>In accordance with the TOR of the BAC, an annual assessment of the performance of the internal audit function was performed in January 2019. The BAC was satisfied with the level of competency, experience, and resources of the IAD function in discharging its role and responsibilities.</p> <p>IAD adopts the International Professional Practices Framework to manage its functions and perform the audit engagements to continuously deliver value-added assurance to Pos Malaysia and to support Pos Malaysia in achieving its corporate and strategic objectives. IAD is also guided by the internal policies, procedures and framework as well as the Internal Control Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in assessing and reporting on the adequacy and effectiveness of internal control, risk management and governance.</p> |
| <b>Explanation for departure</b>                  | : |  |

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

### Intended Outcome

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

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

### Practice 11.1

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board acknowledges the importance of continuous and effective communications with the Company's shareholders, investors and other stakeholders. The Board also recognises its responsibility of being transparent and accountable to its shareholders and other stakeholders.</p> <p>The Group has been communicating with the stakeholders and investors via quarterly financial reports, annual reports, announcements, circulars and press releases.</p> <p>The Company's corporate website, <a href="http://www.pos.com.my">www.pos.com.my</a>, also provides an avenue for keeping the general public updated on the activities, performance and major developments of the Group. The website is a source of information on the Group's financial results, services and products, annual reports, press releases, events, newsletters, media highlights, corporate governance matters and other relevant information.</p> <p>There is a dedicated channel on Investor Relations as stated in the Annual Report and the corporate website where any inquiry from the investors or stakeholders may be channelled. Any inquiry on Investor Relations matters may be conveyed to:-</p> <p>Encik Hady bin Hud<br/>Tel : +603 2267 2267<br/>Email : <a href="mailto:hadyhud@pos.com.my">hadyhud@pos.com.my</a></p> <p>The Company's general meetings serve as the principal forum for communicating with the shareholders of the Company. At these meetings, shareholders have direct access to the Directors and are given ample opportunity and time to raise questions or seek further information from the Directors regarding the Group's activities, financial performance and prospects as well as raise any issues of concern regarding the Group. Besides the Directors, the Senior Management and the Company's external auditors are present at the general meetings to take questions from the shareholders.</p> |



|  |  |  |
|--|--|--|
|  | Prior to tabling of proposed resolutions at a general meeting, the shareholders are presented with an overview of the financial highlights and performance of the Group in respect of the financial year under review and the Group's key growth initiatives going forward. Questions from the Minority Shareholders Watch Group (MSWG) and the Company's responses are presented and briefed to the attendees at the general meeting for information. |  |
| <b>Explanation for departure</b>   | :  |  |
|  |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |

### Intended Outcome

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

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

### Practice 11.2

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

|   |   |   |  |
|---|---|---|--|
| Application   | : | Departure   |  |
| Explanation on application of the practice  | : |   |  |
| Explanation for departure   | : | Pos Malaysia has yet to adopt integrated reporting based on a globally recognised framework.  |  |
|   |   | Nevertheless, the current financial reporting and annual report complies with the applicable accounting standards, Companies Act and Bursa Securities Listing Requirements. |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |   |  |
| Measure   | : | Pos Malaysia will continue to work towards adopting integrated reporting based on a globally recognised framework.  |  |
| Timeframe   | : | Within 2 years  |  |

### Intended Outcome

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

### Practice 12.1

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Notice of the 26<sup>th</sup> AGM was circulated on 31 July 2018 for the AGM held on 29 August 2018, to ensure that 28 days' notice was given to the shareholders.</p> <p>The notice of AGM with sufficient information of businesses to be dealt with thereat, was sent to shareholders together with the Annual Report. The notice of AGM was published in one nationally circulated newspaper to provide wider dissemination of such notice to encourage shareholders' participation.</p> <p>Each item of special business included in the notice of AGM was accompanied by an explanatory statement for the proposed resolution to facilitate better understanding and enable shareholders to make an informed decision in exercising their voting rights.</p> <p>In addition, the notice of AGM and Proxy Form which were contained in the Annual Report, was posted on the websites of Pos Malaysia at <a href="http://www.pos.com.my">www.pos.com.my</a> and Bursa Securities at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a></p> <p>For the forthcoming AGM which is scheduled for 18 September 2019, the Notice of 27<sup>th</sup> AGM is scheduled to be issued to the shareholders of the Company on 31 July 2019 i.e. more than 28 days prior to the date of AGM.</p> |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

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

**Practice 12.2**

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board members are encouraged and have always been committed to attend all general meetings of the Company.</p> <p>All Directors attended the 26<sup>th</sup> AGM held on 29 August 2018.</p> <p>The Chairman of the respective Board Committees also availed themselves at the AGM should there be any queries on matters that fell under their purview.</p> <p>Besides the Board members, the GCEO, Senior Management and external auditors were present at the AGM to provide responses to the questions addressed to them by the shareholders/proxies.</p> <p>At the AGM, the GCEO presented an overview of the Group's performance and key strategies to the shareholders. He provided explanations to questions raised by shareholders/proxies.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |
|  |   |   |

### Intended Outcome

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

### Practice 12.3

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

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Departure   |
| <b>Explanation on application of the practice</b>  | : |   |
| <b>Explanation for departure</b>   | : | <p>The AGM of the Company is usually held at a venue, which is easily accessible with free parking provided on the premises. Public transport is also available for shareholders' convenience.</p> <p>Shareholders are given at least 28 days' notice of the AGM, which gives them sufficient time to make arrangements to attend the AGM.</p> <p>As an alternative, shareholders who are unable to attend the AGM are also allowed to appoint corporate representative(s) or proxy(ies) to attend, participate, speak and vote on their behalf at the AGM.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : | The Board will monitor the development of this practice in the market and the availability of a suitable and reliable voting system to facilitate voting in absentia and remote participation by shareholders.  |
| <b>Timeframe</b>   | : |   |

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

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

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