

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0167
COMPANY NAME : Mclean Technologies Berhad
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT 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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company is led by a dynamic and experienced Board, which is primarily entrusted with the responsibility of charting the direction of the Group.</p> <p>The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, whilst providing effective oversight of Management's performance, risk assessment and controls over business operations to address the sustainability of the Group's business.</p> <p>The Board recognises its overall responsibility to maintain a sound risk management framework and internal control system and the need to articulating, implementing and reviewing the Company's internal control system. Details pertaining to the Company's internal control system are available in the Statement on Risk Management and Internal Control of the 2017 Annual Report.</p> <p>To ensure the effectiveness of the Board, the Board has carried out an annual Self and Peer Evaluation Assessment to determine the Board members have necessary skills and experience and competency in carrying out their tasks.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman is responsible for the leadership of the Group and for promoting the highest standards of integrity and probity and he leads strategic planning at the Board level. Further, the Chairman acts as facilitator at meetings of the Board to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming. | |
| Explanation for departure | : | | |
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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> | | | |
| Measure | : | | |
| Timeframe | : | | |
| | | | |

Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | There is a clear division of responsibilities between the Chairman of the Board and the Chief Executive Officer (" CEO "). The Chairman and CEO position is held by different individuals, i.e. Mr Yeo Hock Huat is the Chairman and Mr Lim Han Kiau is the CEO. The Chairman is responsible for the leadership of the Group and for promoting the highest standards of integrity and probity and he leads strategic planning at the Board level. Further, the Chairman acts as facilitator at meetings of the Board to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming. The Executive Directors/CEO, on the other hand, are responsible for making and implementing the policies laid down, operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretaries are qualified as Chartered Secretaries under Section 235(2)(a) of the Companies Act 2016, i.e. registered and licensed Member of the Institute of Chartered Secretaries (MAICSA).</p> <p>The Board is supported by suitable, qualified and competent Company Secretaries who are responsible for providing support and guidance to the Board on issues relating to compliance with rules and regulations and relevant laws affecting the Company as well as the best practices on governance matters.</p> <p>The Board is regularly updated and apprised by the Company Secretary on new regulation issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares.</p> <p>The Company Secretaries roles including to attend all Board meetings and Board Committees meetings whereby during such meetings, the Company Secretaries shall ensure that all issues being deliberated with the decision and conclusion reached are accurately and properly recorded and documented. The Company Secretaries shall also record, prepare and circulate the minutes of the meetings of the Board and Board Committees and ensure that the minutes are properly kept at the registered office of the Company and readily available for inspection, if required. In addition, the Company Secretaries shall facilitate the Board in conducting the annual Board Effectiveness Assessment.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.5

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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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The notices of the Board and Board Committees meetings, minutes of meetings, and meeting papers, appropriate information and materials are provided to the Directors at least five days prior to the respective meeting for each meeting to permit prior reviewed by members of the board. All members of the board have access to information and materials of the company and to the advice and services of the Company Secretaries for any further information that they may require. Presentations by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board.</p> <p>The Company Secretaries also record, prepare and circulate the minutes of the meetings of the Board and Board Committees and ensure that the confirmed minutes are properly kept at the registered office of the Company and readily available for inspection, if required.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 2.1

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

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

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|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board adopted the Board Charter on 27 February 2013 which serves as a reference point for Board's activities. The Board Charter provides guidance for Directors and Management on the roles and responsibilities of the Board, its CEO and Board Committees. The Board Charter is made available at the Company's website at www.mclean.com.sg.</p> <p>The Board Charter is subject to regular review to ensure consistency with the Board's objectives and responsibilities, and relevant laws, regulations, guidelines as well as standards of corporate governance. The Board had reviewed the Board Charter in April 2016.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 3.1

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

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board is guided by the Directors' Codes of Conduct in discharging its oversight role effectively. The Directors' Codes of Conduct require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Directors' Codes of Conduct is published on the corporate website at www.mclean.com.sg and it will be reviewed from time to time by the Board. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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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|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board had formalised the Company's Whistleblowing Policy whereby all employees are encouraged to disclose any malpractice or misconduct of which they become aware. The detail of Whistleblowing Policy can be found on the corporate website at www.mclean.com.sg . | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board comprises six (6) members, of whom, one (1) Executive Chairman, one (1) CEO, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The composition of the Board also meets the criteria on one third (1/3) independent directorship as set out in the ACE Market Listing Requirements.</p> <p>Although the Chairman of the Board is not an Independent Non-Executive Director, the Board is of the view that there are sufficient Independent Directors with wide board room experience to provide the necessary check and balance.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

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

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

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|--|---|---|--|
| Application | : | Not applicable - No independent director(s) serving beyond 9 years | |
| Explanation on application of the practice | : | The Board noted that none of the Independent Non-Executive Directors have served on the Board for more than nine (9) years. | |
| Explanation for departure | : | | |
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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> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.3 - Step Up

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

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| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Board complied with the recommendation of the MCCG 2017 that the tenure of an independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board, upon recommendation of the Nomination Committee, shall justify and seek shareholders' approval in the event that the person, who has served in that capacity for more than nine (9) years, retains as an independent director. |

Intended Outcome

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

Practice 4.4

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

| Application | : | Applied | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|----------------|--|--------|-----------|-------|-------|-------|--------|--------|--|----------------|--|--|-----------|--|--|--|--------|--|-------|---------|--------|-------|-------|-------|-------|------|--------|---------------------|---|---|---|---|---|---|---|---|---|
| Explanation on application of the practice | : | <p>The Board views that the diversity of the Board's composition is important to facilitate decision making process by harnessing different insights and perspectives. The current diversity in gender, ethnicity and age of the existing Board is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Race/Ethnicity</th> <th colspan="4">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>30-39</th> <th>40-49</th> <th>50-59</th> <th>60-69</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>-</td> <td>6</td> <td>-</td> <td>-</td> <td>2</td> <td>4</td> <td>-</td> <td>5</td> <td>1</td> </tr> </tbody> </table> <p>The Company has one (1) female director for the time being. Nevertheless, the Board has yet to implement gender diversity policies and targets or has any immediate plans to implement such policies and targets as the Board is of the view that gender should not be a basis of evaluation and that candidate should be sought after based on their level of experience and skill set as well as other qualities as stated above.</p> <p>The gender diversity policy would be established should the need arises to ensure that due consideration is given to female candidates as directors and/or Board Committee members and facilitate achievement of such policies and targets.</p> | | | | | | | | | Race/Ethnicity | | | Age Group | | | | Gender | | Malay | Chinese | Indian | 30-39 | 40-49 | 50-59 | 60-69 | Male | Female | Number of Directors | - | 6 | - | - | 2 | 4 | - | 5 | 1 |
| | Race/Ethnicity | | | Age Group | | | | Gender | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Malay | Chinese | Indian | 30-39 | 40-49 | 50-59 | 60-69 | Male | Female | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Directors | - | 6 | - | - | 2 | 4 | - | 5 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Explanation for departure | : | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Measure | : | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Timeframe | : | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Intended Outcome

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

Practice 4.5

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | Currently, there is one female Director on Board, which represents 17% of the Board's composition. The Board will consider to have additional female directors in future. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.6

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.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership through a transparent and rigorous process. All nominations of candidates for the positions of directors and CEO must be submitted to the Nomination Committee for consideration. The Nomination Committee shall assess the candidates based on the “Fit and Proper” standards before recommending the candidates to the Board for approval.</p> <p>The Nomination Committee also has the liberty to rely on external opinions and services for such recommendations. The Board will have ultimate responsibility and final decision on such appointment. Notwithstanding the skills and experiences of each candidate, the Nomination Committee takes into consideration the following factors for the purposes of the appointment:-</p> <ul style="list-style-type: none">• the candidate’s general understanding of the Group’s business;• the candidate’s integrity, professionalism, qualification, time commitment, experience and background;• other factors that promote diversity in age, gender and experience; and• in the case of candidates for the position of Independent Non-Executive Directors, whether such candidate has met the requirements for independence as defined in the Listing Requirements of Bursa Malaysia Securities Berhad; <p>Upon deciding on their selection(s), the Nomination Committee will contact those identified candidates to ascertain the candidate’s interest in serving the Company. The above process will ensure that prospective Board member(s) have clarity on the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other criteria as required.</p> <p>As part of the appointment/selection process, the potential candidate must disclose his existing directorships as well as any other commitments as to determine whether he has adequate time to perform his duties.</p> |

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| | The recruitment process concludes with an induction programme for a newly appointed director. The induction programme shall allow the newly appointed director to understand the Company's vision and mission, the nature of the business, the corporate strategy and business plan, current issues affecting the Group and the expectations of the Company concerning input from directors. | |
| Explanation for departure | : | |
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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> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.7

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Nomination Committee was established on 10 November 2010 comprised exclusively of Non-Executive Directors. The Nomination Committee is primarily responsible for the identification of desired mix of expertise, competencies and experiences for an effective Board and the assessment of the performance of the members of the Board.</p> <p>The Nomination Committee is chaired by the Senior Independent Non-Executive Director, Datuk Wira Mark William Ling Lee Meng.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 5.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual (Self & Peer) Assessment, Board Committees' Assessment and an Assessment of Independence of Independent Directors.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's role and responsibilities. The Board had also put in place performance assessment forms for each Board Committees based on the specific functions, duties and responsibilities carried out by each Board Committees.</p> <p>For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.</p> <p>The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.</p> <p>The Nomination Committee also undertakes yearly evaluation of the performance of the Finance Director/Chief Financial Officer ("CFO") whose remuneration is directly linked to performance, based on his score sheet. For this purpose, the performance evaluation of the CFO for the year 2017 was reviewed by the Nomination Committee.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee was established on 10 November 2010. The Remuneration Committee is responsible for recommending the remuneration framework and the remuneration packages of the Executive Directors (including Executive Chairman and Chief Executive Officer) and to establish a formal and transparent procedure for developing policy on remuneration packages of individual directors.</p> <p>The Remuneration Committee is guided by specific terms of reference, which the same has been published on the Company’s website.</p> <p>The Remuneration Committee reviews annually and proposes, subject to the approval of the Board, the remuneration scheme taking into consideration the term of office of each Director as a member of the Board as well as Committees of the Board. The determination of the remuneration packages of Directors are considered and approved by the Board as a whole. The remuneration and benefits of Directors is generally based on market conditions, responsibilities held and the overall financial performance of the Group. Nevertheless, the interested Directors shall abstain from any discussion on their own remuneration packages.</p> <p>Directors’ remuneration and benefits are recommended by the Remuneration Committee to the Board for the approval by the shareholders of the Company at annual general Meeting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The board's remuneration committee terms of reference as approved by the board are published on the company's website at www.mclean.com.sg . The Remuneration Committee is chaired by the Senior Independent Non-Executive Director, Datuk Wira Mark William Ling Lee Meng. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The remuneration of individual directors with breakdown of fees, salaries, bonus, incentives, EPF contribution and benefit-in-kind were disclosed on a named basis in the Corporate Governance Overview Statement in the Annual Report 2017. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.2

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

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The board has chosen to disclose the Senior Management staff's remuneration in bands instead of named basis as the Board was of the view that it would not be in its interest to make such detailed disclosure because of the competitive nature of the human resource market and to support the Group's effort to attract and retain executive. | |
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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> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 7.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>Datuk Wira Mark William Ling Lee Meng, the Chairman of the Audit Committee of the Company is not the Chairman of the Board.</p> <p>The principal objectives of Audit Committee are to assist the Board in discharging its duties and responsibilities in relation to corporate governance, internal control systems, management and financial reporting practices of the Company and to ensure proper disclosure to the shareholders of the Company.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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 | : | None of the members of the AC were former key audit partners. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.</p> <p>The external auditors had communicated with the Audit Committee vide the Audit Planning Memorandum and audit findings and had provided the necessary quality of service and had sufficient resources to carry out the audit.</p> <p>The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The terms of engagement for services provided by the external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.</p> <p>The Audit Committee had evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fee.</p> <p>Nevertheless, the Audit Committee will put in place an annual assessment form to documents the assessment carried out on the suitability and independence of the external auditors on an annual basis.</p> <p>The Board noted that the external auditors had expressed their willingness to continue in office for the ensuring year and having reviewed the suitability and independence of the external auditors, the Board recommend the re-appointment of the external auditors to the shareholder at the forthcoming Seventh Annual General Meeting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman and members of the AC are financially literate and have carried out their duties and responsibilities in accordance with the Term of reference of the Audit Committee. One of the Audit Committee member is also a member of Certified Practising Accountants, Australia and the Malaysian Institute of Accountants. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises its overall responsibility to maintain a sound risk management framework and internal control system and the need to articulating, implementing and reviewing the Company's internal control system. Periodic testing of the effectiveness and efficiency of the risk management and internal control procedures and processes are conducted to ensure that the system is viable and robust. Such system covers not only financial controls but also operational and compliance controls.</p> <p>However, as there are inherent limitations in any risk management and internal control system, this system is designed to manage rather than eliminate all the risks that may impede the achievement of the Group's business objective. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error, fraud or loss.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>Key Management staff and Heads of Department are delegated with the responsibility of identifying and managing risks related to their functions/departments. At the periodic management meetings, such risks identified and related internal controls are communicated to Senior Management. Significant risks identified are brought to the attention of the Board at their scheduled meetings. These significant risks and its latest update are also brought to the attention of the Board members at their scheduled meetings via the Audit Committee. The Committee is responsible to review significant risks identified, measure and monitor risk at satisfactory level.</p> <p>The Group has put in place a continuous, proactive and systematic control structure and process for identifying, evaluating and managing significant and various types of risks pertinent to the achievement of the Group's overall corporate objectives. The control structure and process which has been established throughout the Group is updated and reviewed from time to time to suit the changes in business environment.</p> <p>Further information on risk management framework and internal control are disclosed in the Statement of Risk Management and Internal Control on Page 23 to 24 of 2017 Annual Report.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|-----------------------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | To be adopted in year 2018. |

Intended Outcome

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

Practice 10.1

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company recognised that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. The internal audit function for the Group has been outsourced to an external consultant, Axcelasia Columbus Sdn. Bhd. who will perform an independent review of the Group's key processes and control system in place.</p> <p>The internal audit activities have been carried out according to the internal audit plan that was approved by the Audit Committee. The Board had via the Audit Committee evaluated the effectiveness of the outsourcer by reviewing the results of its works in Audit Committee meetings.</p> <p>The internal audit function shall be independent of the activities or operation it audits and reports directly to the Audit Committee. The Internal Auditors assists the Audit Committee in discharging its duties and responsibilities to provide assurance on the adequacy and effectiveness of the system of internal control by conducting independent, regular and systematic review of the internal control processes in addressing the risks identified and that established policies and procedures, applicable laws and regulations are complied with.</p> <p>The Internal Auditor presented a risk-based audit plan for the year to the Audit Committee for approval. The audit plan covered the review of the adequacy of operational and accounting controls, compliance with applicable laws and regulations, established policies and procedures as well as governance processes.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 10.2

The board should disclose–

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function is outsourced to Axcelasia Columbus Sdn Bhd and the internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The number of staff deployed for the internal audit reviews is ranging from 3 to 5 staff per visit including the Engagement Partner. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia.</p> <p>The Engagement Partner is Mr Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr. Mah is a Certified Internal Auditor (United States) and has a Certification in Risk Management Assurance (United States).</p> <p>The cost incurred for the internal audit function for the financial year under review was RM66,000. In this respect, the Board through the Audit Committee receives and reviews reports on internal control from its internal audit function.</p> <p>The outsourced professional services firm reports directly to the Audit Committee, which internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework (IPPF).</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | The Company's website, www.mclean.com.sg provides all relevant corporate information and it is accessible by the public. The Company's website includes all announcements made by the Company, Annual Reports and Group Financial Highlights. Through the Company's website, the stakeholders are able to direct queries to the Company. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.2

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Group does not fall within the definition of large companies under MCG 2017. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.1

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The 2017 Annual Report, which contains the Notice of AGM, together with the explanatory notes that are relevant to the proposed resolutions, as well as the Form of Proxy, are sent to shareholders at least 28 days prior to the date of the AGM, so as to give sufficient time for the shareholders to consider the resolutions that will be discussed and decided at the AGM, and to arrange for proxies to attend the AGM on their behalf, if so required.</p> <p>The Notice of AGM, which sets out the businesses to be transacted at the AGM, is also published in a major local newspaper.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | All Directors attended the general meetings of the Company. The Chairman of the Board, Audit, Nominating and other committees also provided meaningful response to questions addressed to them at the general meeting. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.3

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company's General Meeting are held at an easily accessible venue and does not hold in remote areas.</p> <p>The Eighth Annual General Meeting of MClean Technologies Berhad will be held at Tawau Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.</p> <p>Shareholders who are unable to attend the general meetings, may appoint their proxies to attend and vote on their behalf.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

**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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