

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3794
COMPANY NAME : LAFARGE MALAYSIA BERHAD
FINANCIAL YEAR : 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.

Application	:	Applied
Explanation on application of the practice	:	The Board plays an active role in the development of Company's strategy. The Company's strategies and business plan are presented to the Board during Board meetings and the Board reviews and deliberates on Management's proposals and recommendations. At each meeting the CEO together with other members of management present reports to the Board on various management issues such as the Company's health and safety performance, commercial performance, industrial performance, risk management and other matters of strategic importance. The Board also receives a comprehensive summary of the Company's financial performance during each reporting period. The relevant members of the Management team will be in attendance at the Board Meeting to support the CEO in presenting these updates and to provide clarifications on the challenges and issues raised 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

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	The Chairman ensures that the Company is guided by good corporate governance practices. The Chairman facilitates robust dialogue during Board meetings and draws out diverse perspective from the Board members. He encourages input and Board members are comfortable to challenge recommendations brought forth by Management. The Chairman ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings. He also ensures that meetings focuses on key issues and are not side tracked by unnecessary topics.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	There is a clear division of responsibility between the Chairman and the CEO. This division of duties is spelt out in the Board Charter. The Chairman is an independent director who has never assumed an executive position in the Company. The CEO is an appointee of the major shareholder and heads the executive management team.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	The company secretary has legal credentials, is qualified to act as company secretary under Section 235 of the Companies Act 2016 and is part of the Company's management team and the Board as a whole. All directors have access to the advice and services of the company secretary in carrying out their duties. The company secretary facilitates overall compliance with the Listing Requirements, the Companies Act 2016 and the recommendations in the Malaysian Code on Corporate Governance (as amended from time to time).
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	Prior to the Board meetings, all directors are furnished with the agenda which sets out the matters to be discussed not less than 7 days prior to the meeting. Detailed board papers that contain relevant qualitative and quantitative information for the agenda are also circulated to the directors simultaneously to give directors sufficient time to review the reports and enable focused and constructive deliberation at the Board meetings. All proceedings of board meetings are minuted and circulated to the Board members well in advance of the next Board meeting including with follow up action items.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Board Charter formalises and sets out the roles and responsibilities, composition, operation and processes of the Board. The Board Charter is reviewed periodically and is published on the Company's website. The Board Charter sets out the Board's authority and power to delegate certain functions to its Committees and the Management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	: Applied
Explanation on application of the practice	<p>Specific principles and procedures in the manner the Company conducts its business are clearly spelt out in the LafargeHolcim Group Code of Business Conduct which has been adopted by the Company. The Code of Business Conduct is designed to set a certain standard for all employees and officers of the Company as well as all persons that provide goods and services to the Company. This Code also promotes integrity in the workplace with focus on health & safety, diversity, fairness and respect, protection of Company assets and information systems, email and social media. The Code also promotes integrity in business practices with focus on anti-bribery and anti-corruption, gifts and hospitality, fair competition, accurate recording and reporting, conflicts of interest, insider trading, conducting international business and preventing money laundering. Finally, the Code promotes integrity in the community with focus on environment, human rights and community engagement.</p> <p>The Directors also observe the Company Director's Code of Ethics established by the Companies Commission of Malaysia and adopted in the Directors' Manual.</p> <p>In addition to the Code of Business Conduct, the Company has adopted LafargeHolcim's Anti-Bribery and Corruption Directive ("ABC Directive"). The ABC Directive is a policy to conduct business in an honest and ethical manner. The Company also adopts the LafargeHolcim's Third Party Due Diligence Directive ("TPDD") which sets out the relevant mandatory principles, the necessary guidance as well as the measures needed to take to protect the Company when engaging and dealing with Third Parties, particularly those interacting on the Company's behalf with Public Officials. The Code and all these Directives are</p>

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

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has adopted LafargeHolcim’s Integrity Line which is a global business ethics advice and reporting system accessible to all LafargeHolcim’s employees. It is an official line available to all employees and external parties to report any misconduct in the business activities and this policy will protect them in their roles as whistleblowers.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board consists of 4 independent directors and 5 non independent directors. The Board considers the size of the Board to be appropriate and that the composition fairly reflects the investment of minority shareholders. The proportion of the independent directors ensures effective checks and balances on the Board with the independent directors acting as caretakers for the minority shareholders.</p> <p>Having regard to paragraph 5.3 of the MCCG 2017 which states that the board should apply the practices by taking into account the environment that their companies operate in, size and complexity, and the nature of risks and challenges faced, and in view that the Company is in the building materials industry which has high barriers to entry, is capital intensive in nature and has immense foreign direct investment, the Board agrees that LafargeHolcim is required to have a majority representation on the Board of Directors of all its listed subsidiaries.</p> <p>Alternative:</p> <p>In situations where there is an equality of votes then the independent Chairman of the Board has a further or casting vote under the existing Constitution. In practice, decisions of the Board are only carried with the unanimous approval of the entire Board and in the case of approvals for related party transactions, decisions are only deliberated and voted on by the independent directors and only carried with their unanimous approval.</p> <p>In the unlikely situation of any dissenting views by the directors, the proposal is deferred pending further information from Management or the proposal is abandoned.</p>

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

Measure	: As the Company is a major subsidiary of LafargeHolcim, LafargeHolcim's policy is to maintain a majority representation on the Board and the above alternative is a measure that can achieve the Intended Outcome of Practice 4.1 by working with the independent directors.
Timeframe	:

Intended Outcome

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

Practice 4.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Chairman has served on the Board for more than 12 years. In due course, the Board will consider an appropriate term limit for tenureship on the Board and will seek to implement the appropriate policy on Board tenureship.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board practices active and open discussions at the Board Meeting to ensure that opportunities are given to all Directors to participate and contribute to the decision making process. All Directors shall declare their conflict and abstain from voting and deliberation in a conflict of interest situation arise.
Timeframe	:	On going

Intended Outcome

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

Practice 4.3- Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	Will be reviewed by the Board in line with Practice 4.2. The Board will look to address this in due course.

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 Company has a strong Board and Management consisting of qualified individuals with a good mix of technical and commercial experience. The members of the Board and Management have backgrounds in mechanical engineering, civil engineering, industrial engineering, chemical engineering, law, governance, business, strategy, risk, civil services, diplomacy, corporate finance, accountancy, architecture and human resource management. They have both local and international operational experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Company continues to be a competitive leader within the industry with a strong reputation for technical and professional competence while ensuring good corporate governance and oversight.</p> <p>The Board and Management also have understanding of the nature of the industry in which the Company operates, and an understanding of the health, safety, environmental and community challenges that the Company faces to ensure that the long term interests of the shareholders and other stakeholders in the Company are safeguarded.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	The Company's policy on gender diversity is contained in its Code of Business Conduct which is disclosed in the CG Overview Statement of the Annual Report. Currently, there are 3 women directors out of 9 directors on the Board. The Board acknowledges the importance of maintaining at least 30% female representation on 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

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	In respect of the appointment of all directors, the Remuneration & Nomination Committee considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The Remuneration & Nomination Committee then ensures that the candidates recommended for the approval of the Board are suitable and of calibre.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Remuneration & Nomination Committee is always an independent director. This is contained in the Terms of reference for the Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board undertakes an annual evaluation of its performance and in FY2017 carried out a peer review on the Board Effectiveness for the first time. The Board's effectiveness was analysed and evaluated and the Board then reviewed and implemented measures against any issues discovered. The assessment for FY2017 was conducted internally and facilitated by the Company Secretary. Evaluation was carried out using questionnaires which covered the areas of Impact of the Board in Critical Issues, Drivers of Board Effectiveness, Board Composition & Structure, Individual Director Effectiveness and the Effectiveness of the Board Committees. There was a 100% participation in this exercise.</p> <p>Based on the findings of the evaluation, it was noted that the Board members demonstrate high standards of personal integrity and make decisions in the best interest of the Company, the Board is effective at reviewing and tracking annual capital and operating budgets, the Chairman facilitates robust dialogue and draws out diverse perspectives from the members, the Board plays an effective role in contributing to the development of the Company's strategy and the Board has an effective mix of experience, expertise, style and thinking.</p> <p>The findings of the evaluation suggesting areas for improvement were noted and discussed by the Board and appropriate steps will be taken to address them.</p> <p>The Company will carry out a review of Board Effectiveness using independent consultants on a periodic basis which also takes into account the Company's application of Practice 4.1.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a formal and transparent remuneration policies and procedures to attract and retain directors. The Remuneration & Nomination Committee is responsible for determining the remuneration for both the Executive and Non-Executive Directors. The 2 Executive Directors are members of senior management. The Remuneration & Nomination Committee reviews the compensation and remuneration package for the Executive Directors annually and recommends the packages to the Board for approval. Generally, the remuneration of the Executive Directors are linked to the Company's performance, the achievement of specific goals related to their respective performance, the performance of the Company and market conditions and is benchmarked against the remunerations of other companies in similar industries of similar size.</p> <p>The remuneration of Non-Executive Directors is benchmarked against other public listed companies of similar size and/or industry. The Remuneration & Nomination Committee also considers various other factors including the level of responsibilities undertaken by the Director and time commitments expected of him/her. The policy will be set out in the CG Overview Statement of the Annual Report 2017 which will be published on the Company's website.</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

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration & Nomination Committee has been in place for more than 15 years and the Terms of Reference of the Committee is published on the Company's website.	
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.

Application	:	Applied
Explanation on application of the practice	:	<p>The detailed disclosure on named basis for the remuneration of individual independent directors started in financial year 2016 and disclosed in the Corporate Governance Statement of the Annual Report 2016. For Executive Directors the disclosure was on an aggregated basis.</p> <p>For FY2017, the disclosure details on the remuneration of directors shall be similar to the version in the Annual Report 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

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The top 2 senior members of management are Executive Directors of the Company and their aggregated remuneration is disclosed under remuneration of directors in the Corporate Governance Overview Statement. Disclosure of the remaining top 5 senior management (not on named basis, but described as SM3, SM4 etc.) and indicating their remuneration bands are set out in the CG Overview Statement. Due to the Group's HR policy of non-disclosure of sensitive information in the public domain and for personnel security reasons, the remuneration is provided in the manner above.</p> <p>Alternative:</p> <p>Disclosure of the top 2 senior management on an aggregated basis and the remaining 3 senior members (not on named basis, but described as SM3, SM4 and SM5) and indicating their remuneration bands.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Alternative is sufficiently transparent and allows stakeholders to assess the reasonableness of the remuneration packages.
Timeframe	:	Others
		The Board will review and determine the necessity and feasibility of adopting this practice from time to time

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	:	Departure
Explanation on adoption of the practice	:	The measure set out for Practice 7.2 is sufficiently transparent and allows stakeholders to assess the reasonableness of the remuneration packages.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	The Chairman of the Audit Committee is Y.M. Tunku Afwida binti Tunku A.Malek and the Chairman of the Board is Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar.
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	:	The policy for 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 has been included in the Audit Committee's Terms of Reference.	
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	:	The Audit Committee annually assesses independence, suitability, objectivity and cost effectiveness of the external auditors. The procedure is set out in the Report of the Audit Committee contained in the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Audit Committee consists of a majority of independent directors. Over the course of FY 2017, the Committee comprised 5 members (3 independents and 2 non independents). Following the resignation of 2 directors, the composition of the Audit Committee as at 1 December 2017, is 3 members (2 independents and 1 non independent). The Board considers the composition of the Audit Committee as fairly reflecting the investment of minority shareholders. The proportion of the independent directors ensures effective checks and balances on the Board with the independent directors acting as caretakers for the minority shareholders.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee comprises members who are financially literate from a diverse range of background and skill sets.</p> <p>Y.M. Tunku Afwida Binti Tunku A. Malek is the Chairman of the Audit Committee. She is a member of The Malaysian Institute of Accountants and a Chartered Accountant from the Institute of Accountants in England and Wales. She has had extensive experience in the provision of advisory services in corporate finance including compliance related and funding advisory related services, and has held positions in several financial organisations in Malaysia.</p> <p>Tan Sri A. Razak Bin Ramli (member until 1 December 2017) has had vast experience in the government service sectors, and his last position was as the Secretary-General of Ministry of International Trade and Industry (MITI).</p> <p>Bi Yong Chungunco (member until 1 December 2017) was the former Chief Executive Officer of the Company from 2008 and 2012. She has had extensive experience in many areas since joining the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations for Lafarge Philippines, with her last posting being the Head of Divestments for LafargeHolcim Group.</p> <p>Datuk Muhamad Noor Bin Hamid has had more than 30 years of working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting.</p>

	<p>Daniel Bach (member until 20 April 2018) joined Holcim in 1994 and has been a member of senior management of Holcim Ltd since 1 January 2014. He has held various positions in the South East Asia Region including Technical Director for Holcim Indonesia and Senior VP Manufacturing of Holcim Philippines.</p> <p>Ar. Datuk Tan Pei Ing has over 30 years of working experience as a professional architect in her own practice P I Architect and has completed a wide range of projects including industrial buildings and hotels.</p> <p>Apart from continuous training attended by each Director, the Audit Committee receives periodic updates from the Company's external auditors in particular on new Accounting Standards.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

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	:	The Company has an embedded process for the identification, evaluation and reporting of major business risk within the Company. Policies and procedures have been laid down for the regular review and management of these risks.	
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	:	The risk management and internal control framework is set out in the Statement on Internal Control and Risk Management contained in the Annual Report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - 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	:	The Board takes the view that the Board as a whole is the appropriate vehicle to oversee the Company's risk management framework and policies.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has an in-house internal audit and internal control department which reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance of the adequacy and the effectiveness of the risk management, internal control and governance process as well as conduct investigations into complaints lodged through Integrity Line and other complaint streams. The investigation findings and audit recommendations and measures are reported by the Head of Internal Audit to the Audit Committee at each 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

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	:	This information is set out in various sections of the Corporate Governance Statement, Statement of Internal Control and Risk Management and the Report of the Audit Committee.
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 :	<ul style="list-style-type: none">• The Company holds analyst results briefings periodically after the announcement of relevant quarterly results to Bursa Malaysia. The Company also actively responds to requests for discussions with institutional shareholders and analysts, locally and abroad, to provide them better insights into the Company.• The Board also takes a proactive approach in reaching out to the investing community via visits to project sites, small group meetings, luncheons and participating in roadshows and investor conferences and such activities are usually spearheaded by the Executive Directors and the Management.• The Company's corporate website (www.lafarge.com.my) provides quick access to information about the Company.• The information on the corporate websites includes corporate profile, corporate structure, Board of Directors profiles, awards and achievements, press releases, corporate news, financial results, Bursa Securities announcement, share and dividend information as well as an overview of the Company's performance and operations.• The Annual Report provides a comprehensive report on the Company's operations and financial performance.• The Annual Report is printed in summary form together with a digital version of the Annual Report in CD-ROM format. An online version of the Annual Report is also available on the Company's website.• The Board also takes reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session on the resolutions being proposed or on the Company's operations and performance in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Articles to attend and vote on their behalf.

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	:	Applied	
Explanation on application of the practice	:	All the elements are contained in the Annual Report and the stand alone sustainability report, the Company will seek to adopt the framework over time. Mechanisms are already in place to allow integrated thinking among cross functional departments on the Company's direction and performance.	
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 12.1

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	:	The Company's Notice of AGM is typically published in newspapers and issued to shareholders at least 28 days prior to the date of the AGM	
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	:	<p>The Board is committed to attending the AGM. It is highly unusual and only due to unforeseen circumstances that a director is unable to attend the AGM.</p> <p>The Chairman ensures that the Chairman of the Audit Committee and the Chairman of the Remuneration and Nomination Committee provide meaningful responses to questions from shareholders which are addressed to them.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	The Company has already adopted an electronic voting platform at the AGM 2017. Shareholders are also able to participate in the AGM without being present at the meeting by way of proxy voting. The Company's meetings are always held in reputable hotels and convention centres in the Klang Valley and are not held in remote locations.
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
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.

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