

## CORPORATE GOVERNANCE STATEMENT

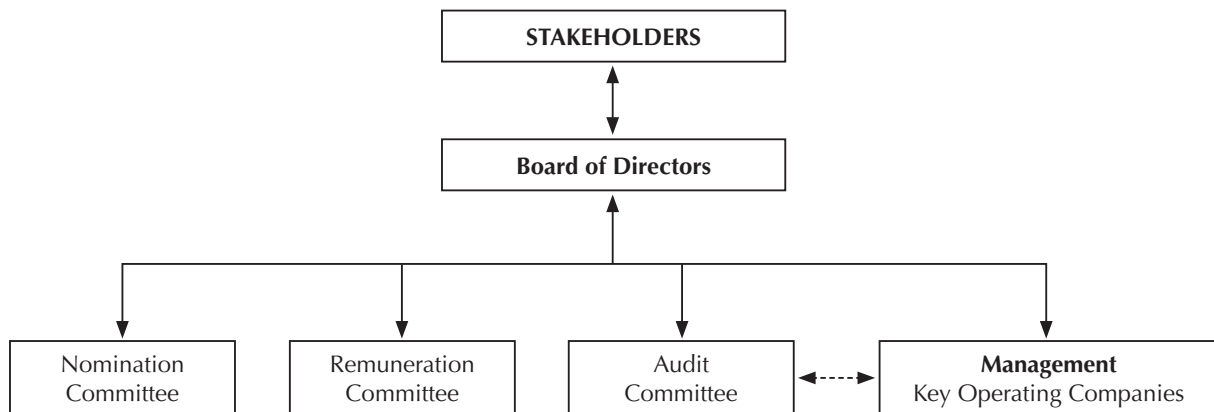
### Introduction

The Board of Directors (“Board”) recognises the importance of practising and maintaining sound corporate governance to direct the businesses and practices of the Group towards enhancing business prosperity, sustainability and on-going value creation for its stakeholders. The Board is fully committed in ensuring that a high standard of corporate governance is practised and maintained throughout the Group as the underlying principles in discharging its roles and responsibilities.

The Board is pleased to present below the Corporate Governance Framework and the extent to which the Group has applied good governance practices and compliance with the following requirements and guidelines:

- Malaysian Code on Corporate Governance (“MCCG”) 2012. The Board has also taken into consideration the disclosure requirements of MCCG 2017 which was released on 26 April 2017;
- Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”);
- Companies Act 2016; and
- Developments in industry practice and regulations.

### Corporate Governance Framework



### 1. BOARD CHARTER

1.1 The Board has established a Board Charter which is available on the Company’s website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv). The Board Charter clearly sets out the principal roles of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the Management. It also defines the specific accountabilities and responsibilities of the Board to enhance coordination, communication and facilitation between the Management and the Board and ultimately, to reinforce the overall accountability of both the Board and the Management towards the Company and the stakeholders as well as to serve as reference criteria for the Board in the assessment of its own performance, individual Directors and the Board Committees.

1.2 In August 2017, the Board reviewed and approved certain revisions to the Board Charter in line with the updated statutory and regulatory requirements.

## 2. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 2.1 Roles and Responsibilities of the Board

- 2.1.1 The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders' values. The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Group's businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Group's system of internal controls, and ensuring effective communications with stakeholders.
- 2.1.2 The Board delegates to the Managing Director ("MD"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authority and powers but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations.
- 2.1.3 The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2017, six (6) Board Meetings were held and each Director attended all the Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

### 2.2 Delegation by the Board

- 2.2.1 The Board delegates certain functions to several committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.
- 2.2.2 The Board may form other committees delegated with specific authorities to act on its behalf whenever required. These committees operate under approved terms of reference or guidelines set out by the Board.

### 2.3 Board Composition, Independence and Diversity Balance

- 2.3.1 The Board comprises six (6) Directors, five (5) of whom are non-executive. The current Board composition complies with the Listing Requirements and the MCCG 2017. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.
- 2.3.2 In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience, age, gender, cultural background and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfilment of the gender diversity representation. The Board acknowledges the recommendation of the MCCG 2017 pertaining to the establishment of boardroom gender diversity policy. The Board currently has no female Director.
- 2.3.3 Represented on the Board are three (3) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

## 2.4 Code of Ethics

- 2.4.1 The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia (“CCM”) which can be viewed from the CCM’s website at [www.ssm.com.my](http://www.ssm.com.my), the provisions of the Companies Act 2016, and the principles of the MCCG 2017.
- 2.4.2 The Group has put in place a Code of Business Ethics and Conduct (“CoBEC”) covering Code of Business Practice for all Directors and employees of the Group, including the Whistleblower Policy, Competition Policy, Sexual Harassment Policy, Sustainability Policy & Framework, Procurement Framework, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. The CoBEC was reviewed and enhanced during the financial year to provide better clarity to some principles governing the conduct of Directors, employees and key business partners as well as in keeping abreast with regulatory requirements. Such codes and policies are made aware to all Directors and employees, and accessible for reference within the Group. The key policies are available on the Company’s website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv).
- 2.4.3 All Directors and employees of the Group are expected to exercise caution and due care to safeguard confidential and price-sensitive information of the Group and its business associates from being misused including for personal benefits, at all times. In managing the exposure of such misuse of price-sensitive information to trading of shares or other securities, the Directors and Senior Management are reminded periodically of the prohibition of insider trading and the dealings in securities during closed periods in accordance with the relevant provisions of the Listing Requirements.

## 2.5 Sustainability

- 2.5.1 The Board in discharging its governance role is guided by the Group’s Sustainability Plans/Framework to ensure that the Group’s and the Company’s business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities carried out by the Group are set out in the Sustainability Statement on pages 48 to 52 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 25 to 31 of this Annual Report.

## 2.6 Supply of Information

- 2.6.1 The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the matters to be deliberated upon. Senior Management of the Group are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order for the Board to arrive at an informed decision.
- 2.6.2 Besides direct interactions with the Management, external independent professional advisers are also made available at the Company’s expense to render their independent views and advice to the Board, whenever deemed necessary and under appropriate circumstances or at the request of the Board.

## 2.7 Company Secretaries

- 2.7.1 The Company Secretaries, each of whom is an Associate of the Malaysian Institute of Chartered Secretaries and Administrators, advise the Board and its Committees on their duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The Company Secretaries are also responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.
- 2.7.2 The Company Secretaries also facilitate the communication of decisions made at Board and Board Committees to the relevant Management for appropriate actions.
- 2.7.3 The Company Secretaries update and apprise the Directors on a continuing basis on new and revised requirements to the Companies Act 2016, the Listing Requirements and the MCCG 2017.
- 2.7.4 The appointment and removal of Company Secretaries are subject to the approval of the Board.

## 3. STRENGTHEN COMPOSITION

### 3.1 Nomination Committee

- 3.1.1 The Nomination Committee comprises four (4) members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat who is also the Senior Independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 38 of this Annual Report and are available for reference on the Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv).

### 3.2 Appointment to the Board and the Effectiveness of the Board

- 3.2.1 The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. As an enhancement to its current process, the Nomination Committee may also consider procuring suitable candidates from independent sources, when required. The Nomination Committee annually reviews and assesses the effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's terms of reference.
- 3.2.2 The assessment criteria of the Board's evaluation/performance review process as well as the process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.
- 3.2.3 In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the competencies, commitment, contribution, performance and board diversity including the appropriateness and the fulfilment of the gender diversity representation, and the required mix of skills, age, cultural background, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.
- 3.2.4 The Directors' mix of skills are set out in the respective Director's Profile on pages 6 to 10 of this Annual Report.

### 3.3 Activities of the Nomination Committee for the Financial Year

- 3.3.1 The Nomination Committee met once since the date of the last Annual Report whereat all the members attended and carried out the following duties in accordance with the terms of reference:
- (i) Reviewed the terms of reference of the Nomination Committee.
  - (ii) Reviewed and assessed the performance and effectiveness of the Board and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee, and made the appropriate recommendation to the Board.
  - (iii) Reviewed the terms of office and performance of the Audit Committee and each of its members and assessed and evaluated the effectiveness of the Audit Committee in conducting its activities.
  - (iv) Reviewed the retirement by rotation of Y. Bhg. Tan Sri Cheng Yong Kim and Mr Ooi Kim Lai and recommended their re-election for Board's consideration.
  - (v) Reviewed the re-appointment of Y. Bhg. Tan Sri William H.J. Cheng to serve on the Board ("Re-appointment"). Tan Sri William Cheng who is above the age of 70 years was re-appointed pursuant to Section 129(6) of the repealed Companies Act 1965 at the 46th Annual General Meeting of the Company ("AGM") held in 2016 to hold office until the conclusion of the next annual general meeting. There is no longer an age limit for directors pursuant to the Companies Act 2016 which came into force on 31 January 2017. As such, the Re-appointment, if approved by the shareholders, will allow Tan Sri William Cheng to continue in office and he shall thereafter be subject to retirement by rotation pursuant to the Constitution of the Company.
  - (vi) Reviewed the retention of Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat whose tenure of service as an independent Director has exceeded a cumulative term of nine (9) years for recommendation to shareholders for their approval based on the attributes necessary in discharging his role and functions as an independent Director.
  - (vii) Reviewed the training needs of the Directors.
  - (viii) Approved and recommended for Board's consideration the Nomination Committee Report incorporating the Nomination Committee's activities for inclusion in the Annual Report.

### 3.4 Re-election and Retention of Directors

- 3.4.1 In accordance with the Company's Constitution, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment. The Nomination Committee is responsible for recommending to the Board the re-election of Directors and the retention of the independent Directors whose tenure of service will exceed nine (9) years or have exceeded nine (9) years, for shareholders' approval at the next annual general meeting.
- 3.4.2 The MCGG 2017 provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought through a two-tier voting process to retain the said Director as an independent Director. Such practice is however, only applicable for resolutions tabled at annual general meetings held after 1 January 2018.

- 3.4.3 For the Director who was above the age of 70 years and was re-appointed Director pursuant to Section 129(6) of the repealed Companies Act 1965 at the 46th AGM held on 22 November 2016 to hold office until the conclusion of the next annual general meeting, the Nomination Committee recommended that shareholders' approval be sought for his re-appointment at the forthcoming 47th AGM as his term of office will end at the conclusion of the 47th AGM.

### 3.5 Directors' Remuneration

- 3.5.1 The policies and procedures for remuneration of Directors are in place to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The Board continued to apply the criteria set for determining the remuneration packages of executive Directors whilst the recommendation made by the Board on the non-executive Directors' fees for approval by shareholders at the Company's annual general meeting was reflective of the market competitiveness and responsibilities undertaken by such Directors. The Board delegates the oversight of Directors' remuneration to the Remuneration Committee whose members and terms of reference are presented on page 38 of this Annual Report and are available for reference on the Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv).
- 3.5.2 For confidentiality, the details of the Directors' remuneration are not disclosed for each individual Director. The transparency and accountability aspects of corporate governance applicable to Directors' remuneration recommended by the best practices of the MCCG 2012 are deemed appropriately served by the disclosures in the ensuing paragraphs.
- 3.5.3 The aggregate remuneration of Directors who served during the financial year ended 30 June 2017 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
<b>The Group</b>			
Executive Director	25	610	635
Non-executive Directors	235	46	281
	260	656	916
<b>The Company</b>			
Executive Director	25	610	635
Non-executive Directors	235	46	281
	260	656	916

The number of Directors whose total remuneration falls into the respective bands is as follows:

Range of Remuneration (RM)	Number of Directors			
	The Group		The Company	
	Executive	Non-executive	Executive	Non-executive
50,000 – 100,000	–	5	–	5
600,001 – 650,000	1	–	1	–

## 4. REINFORCE INDEPENDENCE

### 4.1 Assessment of Independent Directors and Board Performance Evaluation

- 4.1.1 The Board observes the recommendation by the MCCG 2017 in ensuring that the independent Directors bring independent and objective judgement to the Board deliberations. Accordingly, the Board assisted by the Nomination Committee assesses the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board. The Board with the assistance of the Nomination Committee also assesses the effectiveness of the Board as a whole and the Board Committees, and the contribution of each individual Director, including independent Directors, and of each individual member of the Audit Committee on an annual basis. All assessments and evaluations carried out by the Nomination Committee in discharging its duties in accordance with the criteria and procedures set out in the Board Charter were also properly documented.
- 4.1.2 In line with the MCCG 2017, the tenure of an independent Director does 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 as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval. The MCCG 2017 provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought through a two-tier voting procedure to retain the said Director as an independent Director. Such practice is however, only applicable for resolutions tabled at annual general meetings held after 1 January 2018.
- 4.1.3 Based on the assessment carried out for the financial year ended 30 June 2017, the Board was satisfied with the level of independence of the independent non-executive Directors and their ability to act in the best interest of the Company. The Board was also satisfied that the Board and the Board Committees have discharged their duties and responsibilities effectively and that the Board composition in terms of size, age, the balance between executive, non-executive and independent Directors, and mix of skills, experience and knowledge was adequate.

### 4.2 The Roles and Functions of Chairman and MD

- 4.2.1 The Chairman leads and oversees the operations and affairs of the Board. He facilitates the Board in performing its oversight role of the Management and ensures proper functions of the Board in meeting its mandate and responsibilities as set forth in the Board Charter. The Chairman's responsibilities are set out in more detail in the Board Charter.
- 4.2.2 There is a clear division of responsibilities between the Chairman and the MD to ensure that there is a balance of power and authority. The MD is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

## 5. FOSTER COMMITMENT

### 5.1 Time Commitment

- 5.1.1 A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) or any other number as set out in the Listing Requirements.
- 5.1.2 The notification shall include an assurance of his continued time commitment to serve the existing Board and that his other appointments shall not be in conflict or compete with the existing appointment with the Company.

## 5.2 Directors' Training

- 5.2.1 All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme.
- 5.2.2 The Directors are also encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates by engaging in continuous professional development and where appropriate, on financial literacy.
- 5.2.3 During the financial year, the Directors had attended the following seminars, forums, conference, breakfast series, tea talk and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programme
Tan Sri William H.J. Cheng	<ul style="list-style-type: none"> <li>• Briefing on Sustainability Reporting Requirements under the Singapore Exchange Securities Trading Limited Rules</li> <li>• Lion Group In-House Directors' Training: The New Companies Act 2016</li> </ul>
Tan Sri Cheng Yong Kim	<ul style="list-style-type: none"> <li>• NTUC FairPrice Co-Operative – Chairman's Leadership Talk</li> <li>• Khazanah Megatrends Forum 2016 – Geography as Destiny? Reaping the Dividends of Good Stewardship</li> <li>• Federation of Malaysian Manufacturers/International Chamber of Commerce Malaysia/ASEAN CSR Network Seminar on Responsible Business Theme: "Business Integrity Key to Sustainability"</li> <li>• Lion Group In-House Directors' Training: The New Companies Act 2016</li> </ul>
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	<ul style="list-style-type: none"> <li>• Fujitsu Asia Conference 2016, Kuala Lumpur: "Human Centric Innovation – Driving Digital Transformation"</li> <li>• British American Tobacco (Malaysia) Berhad In-House Directors' Training: Directors' Continuing Education Programme – Highlights and Key Changes of the New Companies Act 2016, Security and Terrorism in Malaysia and The Power of Social Media and How It Impacts Our Business</li> <li>• Bursa Malaysia in collaboration with The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) – Launch of Best Practice Guide on AGM and Corporate Governance Breakfast Series with Directors: "How to Leverage on AGMs for Better Engagement with Shareholders"</li> <li>• Lion Group In-House Directors' Training: The New Companies Act 2016</li> </ul>



Name of Directors	Programme
Dato' Mohamad Kamarudin bin Hassan	<ul style="list-style-type: none"> <li>• Initial Public Offering (IPO) – The route to your corporate dream</li> <li>• Malaysian Alliance of Corporate Directors: Directors Tea Talk – “Financial Statements: Numbers Tell a Story, What to Look Out For”</li> <li>• Malaysian Institute of Corporate Governance: Related Party Transactions – Their Implications to the Board of Directors, Audit Committee &amp; Management</li> <li>• Bursatra Sdn Bhd – Expectations on PLCs and Directors in Disclosure &amp; Compliance Requirements under the Listing Requirements</li> <li>• CCM Duopharma Biotech Berhad In-House Directors’ Training: New Companies Act 2016</li> <li>• Lion Group In-House Directors’ Training: The New Companies Act 2016</li> <li>• Hong Leong Group In-House Directors’ Training: 4th Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services</li> </ul>
Tan Chee Chai	<ul style="list-style-type: none"> <li>• Bursa Malaysia – Risk Management Programme: “I am Ready to Manage Risks”</li> <li>• Bursa Malaysia in collaboration with Iclif – Nominating Committee Programme Part 2: “Effective Board Evaluations”</li> <li>• Bursa Malaysia in collaboration with MINDA – Corporate Governance Breakfast Series with Directors: “Anti-corruption &amp; Integrity - Foundation of Corporate Sustainability”</li> <li>• Bursa Malaysia – Sustainability Forum for Directors/Chief Executive Officers: “The Velocity of Global Change &amp; Sustainability - The New Business Model”</li> <li>• Lion Group In-House Directors’ Training: The New Companies Act 2016</li> </ul>
Ooi Kim Lai	<ul style="list-style-type: none"> <li>• Bursa Malaysia – Advocacy Session on Management Discussion &amp; Analysis for Chief Executive Officers and Chief Finance Officers of Listed Issuers</li> <li>• Bursa Malaysia in collaboration with MINDA – Corporate Governance Breakfast Series with Directors: “Anti-corruption &amp; Integrity - Foundation of Corporate Sustainability”</li> <li>• Lion Group In-House Directors’ Training: The New Companies Act 2016</li> </ul>

5.2.4 In addition, the Company would arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group’s businesses and have a better awareness of the risks associated with the Group’s operations.

5.2.5 The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and revised requirements to the Companies Act 2016, the Listing Requirements and the MCCG 2017 (“Continuing Updates”).

5.2.6 The Board, after having undertaken an assessment of the training needs of each Director, views the aforementioned Programmes attended by the Directors, and the Continuing Updates provided to the Directors, as adequate to enhance the Directors’ skills and knowledge to carry out their duties as Directors.

- 5.2.7 The Board will, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.
- 5.2.8 Newly appointed Directors are required to attend a familiarisation programme. This includes meeting key senior management to be briefed on the core businesses and operations of the Group. It also serves as a platform to establish effective channel of communication and interaction with Management.

## **6. UPHOLD INTEGRITY IN FINANCIAL REPORTING**

### **6.1 Financial Reporting**

- 6.1.1 The Board aims to present a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the quarterly financial results and the annual audited financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.
- 6.1.2 The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) members, with a majority of them being independent Directors. The terms of reference and the main works undertaken by the Audit Committee for the financial year under review are set out in the Audit Committee Report on pages 32 to 37 of this Annual Report.

### **6.2 Directors' Responsibility in Financial Reporting**

- 6.2.1 The Board is responsible for ensuring that the quarterly and annual financial statements are prepared in accordance with the applicable financial reporting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements. The Board is satisfied that for the financial year ended 30 June 2017, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company.

### **6.3 Relationship with the External Auditors**

- 6.3.1 The Board has established a formal and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee evaluates the performance and assesses the suitability and independence of the External Auditors and recommends the re-appointment of the External Auditors and their remuneration to the Board. The re-appointment of the External Auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. For the financial year, the External Auditors met with the Audit Committee twice to discuss matters in relation to their audit review of the Company's financial statements and will attend the annual general meeting of the Company.
- 6.3.2 The Audit Committee has obtained written confirmation from the External Auditors on their independence in undertaking the annual audit of the Company's financial statements.

## 7. RECOGNISE AND MANAGE RISKS

### 7.1 System of Internal Controls

- 7.1.1 The Board has overall responsibility in maintaining a sound system of internal controls for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding the interests of stakeholders including shareholders' investment and the Group's assets. An overview of the state as well as the descriptions of the key components of the system within the Group is set out in the Statement on Risk Management and Internal Control on pages 25 to 31 of this Annual Report.

### 7.2 Risk Management Framework

- 7.2.1 The Board regards risk management as an integral part of business operations. An approved Enterprise Risk Management Framework was in place and continued to provide guidance to both the Board and Management on risk management. The framework sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, treatment, risks appetite setting, control, tracking and monitoring of strategic, business, financial and operational risks.
- 7.2.2 The Board delegates the oversight of risk management and internal control to the Audit Committee. The Audit Committee is assisted by the Risk Management Committee ("RMC") in overseeing the implementation of the risk management framework via the Corporate Performance Scorecards ("CPS") and the Corporate Risk Scorecards ("CRS"). The Risk Management Team of each key operating company together with the RMC reports the CPS and CRS to the Audit Committee on a half-yearly basis. The detailed processes of risk management are described in the Statement on Risk Management and Internal Control on pages 25 to 31 of this Annual Report.
- 7.2.3 The RMC also assesses all material and key risks associated with the Group's businesses and operations as well as corporate proposals.

### 7.3 Internal Audit Function

- 7.3.1 The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by a Chief Internal Auditor who reports directly to the Audit Committee. The Internal Auditors attend all meetings of the Audit Committee and the detailed Internal Audit Function is set out in the Audit Committee Report on pages 32 to 37 of this Annual Report.

### 7.4 Compliance Function

- 7.4.1 The Group referred to the approved Compliance Framework which lays down mechanisms and tools to ensure consistency and efficiency in identifying, managing and mitigating compliance risks within the Group. The Group Risk and Compliance Function ("GRC") drove and coordinated the implementation of activities as identified in the Compliance Program/Work Plan. The GRC also reported the results and status of the compliance programme to the Compliance Committee at the management level who would guide on the adequacy and effectiveness of the implementation taking into account the size, diversity and complexity of the Group's businesses and operations. The results and status of the programme implementation were further reported by the Management to the Audit Committee for review and comments.

## 8. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

- 8.1 The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Board ensures its adherence to and compliance with the disclosure requirements of the Listing Requirements as well as the Corporate Disclosure Guide issued by Bursa Securities.
- 8.2 The Company's shareholders and members of the public may gain access to any latest corporate information of the Company on its website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv) which is linked to the announcements published on the website of Bursa Securities at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## 9.1 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

- 9.1 The Board has oversight over the implementation and maintenance of the required effective communications and engagements with shareholders.
- 9.2 The annual general meetings and the extraordinary general meetings are the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session at which shareholders may raise questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to respond to shareholders' queries. The Chairman also shares with the shareholders, the Company's responses to questions submitted in advance of the annual general meetings by the Minority Shareholder Watchdog Group. A summary of key matters discussed at the annual general meetings of the Company are published on the Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv).
- 9.3 The Group also values dialogues with institutional investors, fund managers and analysts. The Group has been practising open discussions with investors/fund managers/analysts upon request through meetings, teleconferencing and emails. In this regard, information is disseminated with strict adherence to the disclosure requirements of Bursa Securities.
- 9.4 The Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv) provides easy access to corporate information, Board Charter, key policies, annual reports and company announcements pertaining to the Group and its activities.
- 9.5 The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the senior independent non-executive Director.