

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4863
COMPANY NAME : Telekom Malaysia 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.

Application	:	Applied
Explanation on application of the practice	:	<ol style="list-style-type: none">1. The Board is collectively responsible for meeting the objectives and goals of the Company. Board activities are structured to assist the Board in achieving its goal on management oversight, to support and advise the Executive Directors (EDs) and Management Team within a transparent governance framework.2. In discharging its roles and responsibilities, the Board is mindful of the need to protect the interests of all stakeholders including shareholders. The Board approves the Group's governance framework where specific powers of the Board are delegated to the relevant Board Committees and the Managing Director (MD) / Group Chief Executive Officer (Group CEO). Dedicated Board Committees have been established with clear Terms of Reference (ToR), as stipulated in the Board Charter which is available in the Company's website at www.tm.com.my, to facilitate the effective discharge of these responsibilities which include amongst others the financial information review, human capital management, internal controls, risk management, governance, procurement and investment matters.3. The Board assumes, amongst others, the following six principal responsibilities:<ol style="list-style-type: none">(i) Reviewing and approving the strategic and annual operating plan (AOP) for the Group<p>The strategic plan, execution and challenges are reported by Management to the Board throughout the year. The Board provides its guidance, views and inputs to ensure the strategies are well thought out and provide the required support for the Group's business direction.</p><p>With the new leadership appointed in May 2017, a session was held with the Board in August 2017, to deliberate on the Group's business direction, strategy and business plan which remain unchanged save for the execution model translated as the Perfex10. Each aspect of the strategies and implementation is assessed to ensure the plans are executed and any adjustments or recourse made will still lead toward the desired targets.</p>

An off-site Board Retreat is later held in November 2017 to deliberate on the Group's three year AOP, including allocation and resources required to meet the Company's objectives.

The Company's strategic direction and achievements are periodically communicated to the staff through engagements held locally or nationwide, directly or via online conferences, ensuring that everyone in the Group understands his or her role in supporting TM Group to achieve its goals and at the same time aware of the milestones accomplished.

(ii) Overseeing and Evaluating the conduct of the Company's Business

The Board oversees the performance of Management in ensuring that the business is properly managed. The Board has empowered the Board Nomination and Remuneration Committee (NRC) to deliberate on TM Group Scorecard and Headline Key Performance Indicators (KPIs) before these are tabled for its approval. The approved Headline KPI targets for the year, mid-term and previous year results are announced together with the fourth quarter Audited Consolidated Financial Results of the Group in February.

Upon approval by the Board, the Group's performance report are monitored on a monthly basis by the EDs at the Group Leadership Team meetings together with Heads of Lines of Business (LOBs) and divisions.

The Business Performance Report is presented at every Board meetings, where performance is measured and tracked against the approved KPIs and Scorecard.

(iii) Identifying and Managing Principal Risks

Risk issues that can jeopardise the Group's business, identified by the Group Business Assurance (GBA) division of Group Finance, are monitored through risk dashboard and updated to Board Risk Committee (BRC) on quarterly basis.

The Board, through the BRC, ensures appropriate risk management framework and constantly monitors the review and management of principal risks by evaluating TM's corporate risk appetite and tolerance level for the Company's business sustainability. BRC Report, Directors' Statement on Risk Management and Internal Controls (SORMIC) and Enterprise Risk Management Report as provided in the 2017 Integrated Annual Report (IAR) detailed out the overview on the Group's risk management framework and policies.

(iv) Reviewing the adequacy and integrity of the Company's Internal Controls

Internal control systems throughout the Company are managed and monitored by the Group Internal Audit (GIA) division. GIA has the authority to audit any division or subsidiary of TM Group and to review projects and systems at any time and report its findings directly to members of the Board Audit Committee (BAC). Significant findings from the audit reports are highlighted and deliberated at BAC meetings.

BAC reviews the adequacy, effectiveness and integrity of the internal control systems to ensure the implementation of appropriate internal control systems, supported by reports from the GIA and the annual review by the external auditor.

BAC Report as provided in the 2017 IAR detailed out the activities undertaken by BAC in this respect.

(v) Monitoring Succession Planning

The NRC has been tasked by the Board to ensure effective succession planning for both the Directors and Pivotal Positions of TM Group and to report the progress thereof to the Board. NRC also monitors the performance of the Board and Pivotal Positions, and reviews and evaluates the suitability of potential candidates and their experience, to fill any gaps therein.

NRC Report as provided in the 2017 IAR detailed out the activities undertaken by NRC in this respect.

(vi) Develop and Implement Shareholder Communication Policy

The Board recognises that an effective communication policy is vital in managing the shareholders' interest and other stakeholders' perception of the Company. The Board Charter outlines the Company's policy on communication with stakeholders with strong reference to Internal Communication Policy Guidelines.

The Group Brand and Communication (GBC) division and the Investor Relations (IR) Unit have been tasked to undertake this responsibility. The Company continues to nurture strong relationship with stakeholders in a timely, proactive and transparent manner, to keep them abreast of the Group's strategies, performance and key business activities.

4. The Board takes collective responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. The conduct of TM Board, Management, employees and all stakeholders of the Group is governed by the Code of Business Ethics (CBE), Procurement Ethics Rules and Practices, Integrity Pact, TM Anti-Corruption Guide and Whistleblower Policy. These policies and guidelines aim to uphold the value of Uncompromising Integrity.
5. In the 2017 Board Effectiveness Evaluation (BEE), the Board has assessed its performance on execution of Board Responsibilities including General Responsibilities, Strategic Planning, Performance Management, Risk Management and Internal Controls, Human Capital Management, Corporate Governance. The Board agreed that on the overall, it has performed extremely well considering the challenges faced in 2017. The Board provided good strategic guidance and monitoring of management performance. The Board was able to stay focus and maintain its courses. With the help of the various committees, the Board was able to perform its roles and responsibilities.

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	:	<ol style="list-style-type: none"> 1. Tan Sri Dato' Seri Dr Sulaiman Mahbob continues to helm the Board of Directors as Chairman. 2. The Chairman's overarching responsibilities are to provide leadership to the Board and the Group and to ensure the Board fulfils its obligations to the Company. He also leads the Board in the oversight of Management as well as instilling good corporate governance practices throughout the organisation. The Chairman's responsibilities are clearly specified in paragraph 4.1 of the Board Charter, which is available on the Company's website at www.tm.com.my. 3. TM's Chairman is not an executive member of the Board and has never held the position of the CEO of the Company. He has never been a part of TM Management, thus undue influence from past association is not a concern. 4. The Chairman, besides the Senior Independent Director (SID), also has a tacit role to act as intermediary to resolve any issue or sensitive matter that arises between members of the Board. 5. In the 2017 BEE, the Chairman has been rated to be effective in leading the Boardroom, able to ensure participation and inclusion of all Board members, by providing a consultative and open environment, for comprehensive discussion and decision making process.
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	:	<ol style="list-style-type: none"> 1. The Board acknowledges the importance of a clear division of responsibilities between the Chairman and the MD/Group CEO to safeguard the equilibrium of power in the Company so no one individual will have unfettered powers of decision making. 2. The roles and position of the Chairman and MD/Group CEO are kept separated in line with best practice with clear division of responsibilities, as specified in paragraphs 4.1 and 4.2 of the Board Charter. 3. Tan Sri Dato' Seri Dr Sulaiman Mahbob, TM's Chairman, is responsible for the effectiveness and overall functioning of the Board. Dato' Sri Mohammed Shazalli Ramly, MD/Group CEO, is responsible to ensure the smooth running of the Company's day-to-day operations. He is responsible for the implementation of broad policies approved by the Board and is required to report and discuss at Board meetings all material issues currently or potentially affecting the Group and its 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

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	<ol style="list-style-type: none">1. The Board is assisted by two qualified and experienced Company Secretaries with more than 20 years of corporate experience attending to company secretarial, compliance matters and advocacy of good corporate governance best practices. One of them is licenced by the Registrar of Companies whilst the other is a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).2. The Group Company Secretary who heads the Group Company Secretarial Division (GCSD), supported by the Joint Secretary and her team from the Group Company Secretarial and PLC Compliance units, is responsible to provide comprehensive support and appropriate advice, guidance and compliance to the Board on policies and procedures, rules and regulations and relevant laws as well as best practices on governance.3. The Company Secretaries regularly monitor Board's compliances with corporate governance requirements and Directors are continuously advised on their respective status in ensuring compliances with relevant provisions in the Main Market Listing Requirements (Main LR).4. Apart from supporting the Board on corporate governance requirements and advising on principles and best practices in corporate governance, the Company Secretaries also monitor Board Effectiveness via the annual BEE, analysing and reporting results thereof as well as suggested ways of improvement moving forward.5. The Company Secretaries continue to monitor the implementation of Board Performance Improvement Programme (BPIP) and has suggested initiatives to manage Board Operating Mode (BOM) to enhance Board's effectiveness moving forward. The annual BPIP Report is tabled in February for the deliberation of the NRC and TM Board and the findings are also shared with Management.6. The Company Secretaries also continue to monitor Directors' Board Training Programme (BTP), a structured programme designed to address training needs of Directors and to inject the required knowledge and skills for them to effectively discharge their duties, and report its findings to the NRC. In order to encourage continuous learning and allow flexibility, the Board has reviewed its BTP Guidelines effective 1 January 2017 for Directors to accumulate a minimum of 60 training hours (TH) over a period of 3 years in place of the requirement of a minimum of 36 TH per annum.

	<p>7. The Company Secretaries constantly keep themselves abreast of regulatory changes and development in corporate governance through attendances at relevant conferences and training programmes. They have also attended continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practicing company secretaries.</p> <p>8. BEE 2017 results show that all Directors are satisfied with the support from the Company Secretary in terms of effectiveness, adequacy, appropriateness and timely execution of actions.</p> <p>9. The roles and responsibilities of the Secretary are specified in paragraph 13 of the Board Charter.</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

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	: Meeting materials <ol style="list-style-type: none">1. The Board paper guidelines and format was finalised and introduced Group wide. Management Committees and subsidiaries also follow the same guidelines and format for consistency throughout the Group.2. Notice of Board Meetings and draft agenda are sent to Directors via email at least seven working days prior to a meeting.3. During the year, TM continues its practise of distribution of meeting materials and dissemination of relevant information to TM directors through the BoardPac, an electronic meeting management system which is also a secondary archival system. Directors are supplied with a device so that all notices and proposal papers are uploaded and distributed to directors electronically and instantly, enabling Directors to access the board papers anytime and anywhere. As it is also an archival system, directors may also retrieve any past information.4. TM also continues to employ a secured cloud solution for the purpose of distributing and sharing proposal papers for Board, Committee and subsidiaries' meetings known as TMBox. This not only eases the process of distribution of paper and minimises leakage of sensitive information but also enables the Directors and Management to have access to the proposal papers electronically anytime and anywhere.5. The multiple electronic platform is maintained as each system accommodates different cluster of users. TM BoardPac is predominantly for TM Directors, while TMBox caters for both Management and TM Directors accessible through multiple devices.6. In 2017, an average of six calendar days was recorded for distribution of TM Board papers save for Special Board Meetings for which a shorter timeframe has been agreed with the Board. Whilst the proposal papers for the Committees are distributed between five and three days from the date of meeting in compliance with the respective Committees' ToR. Group Company Secretary will ensure that Directors receive Board papers, especially of complex and financially impactful types within the timeline set.7. In view of the use of an electronic meeting management systems, which are effective and efficient in delivery and access, the Board agrees that the existing KPI of five calendar days for distribution of TM Board meeting papers to be maintained.

	<p>B. Circulation of Minutes of Meeting</p> <p>8. The deliberations and decisions at Board and Board Committee meetings are minuted in a clear, accurate and timely manner. The minutes record the decisions of the Board including deliberations, comments, concerns or dissenting views. The minutes must indicate whether any Director has abstained from voting or recused himself from deliberating on a particular matter.</p> <p>9. Upon conclusion of meeting, Board minutes are circulated to the Chairman and EDs within the agreed KPI of 5 working days. Commencing 2017, draft minutes of Board and Committees are also disseminated to Board via the electronic meeting management system throughout the year for review and information.</p> <p>10. Vital decisions are communicated to the Management within one working day of the Board meeting while the minutes of Board meetings are completed for comments by the Chairman and EDs within five working days. Relevant extracts of the minutes are distributed to the Management for action within three to five working days, depending on the urgency of the items.</p> <p>11. The Company Secretaries will also follow up with Management on status of actions taken with reference to the previous minutes of meeting and recorded the updates in the matters arising paper tabled at the subsequent board meeting.</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

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

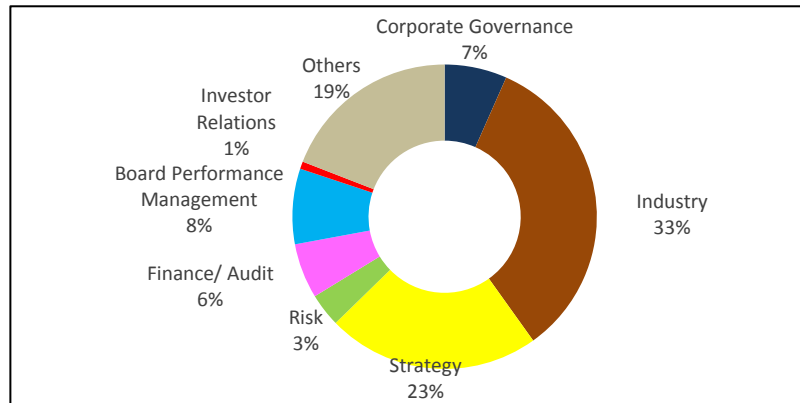
The board has a board charter which is periodically reviewed and published on the company's website.

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	:	<ol style="list-style-type: none">1. The Board Charter embodies the Company's governance practices. It provides reference for the directors in relation to the Board's roles, powers, duties and functions. It outlines processes and procedures for the Board and its committees in discharging their stewardship. The respective roles and responsibilities of the board, board committees, Non-Executive Chairman (NEC), SID, EDs, Non-Executive Directors (NEDs) and Management; and issues and decisions reserved for the Board are clearly identified.2. Our Board Charter is reviewed annually and updated from time-to-time to maintain its relevance and accuracy to current rules and regulations. This review forms part of the annual exercise under the BPIP, which includes an assessment of the Board's objectives, roles and responsibilities to ensure consistency of governance practices and adherence to the relevant rules and regulations.3. In February 2017 and most recently in February 2018, the Board Charter has been enhanced to encompass the changes subsequent to the reviews of the Companies Act 2016 (CA 2016), Main LR, Guidelines accorded by the Institute of Internal Auditors Malaysia under the Guidance for Effective Internal Audit Function and Principles under the Malaysian Code of Corporate Governance 2017 (MCCG 2017). The Board Charter is accessible on our official website at www.tm.com.my.4. As part of its roles and responsibilities, in accordance with paragraph 15.08(3) of the Main LR, the Board is also responsible to ensure continuous training for the Directors. The Board has in place a BTP Guidelines and, through the NRC, has considered the areas/topics of training relating to business operations or capital market development as part of the Directors' continuing education programmes. Via the Self-Peer Evaluation of the BEE, each Director has also been requested to assess as to whether he/she or his/her peers keep(s) abreast of industry developments and trends to stay relevant, informed and focused on current issues.5. The Board primarily is in agreement that the Company has accorded the rights for directors to attend training programmes and education and these have a positive impact on board effectiveness in discharging their duties. For example, nine Directors have attended the GSM Mobile World Congress (MWC) 2017 held from 27 February 2017 to 2 March 2017 in Barcelona, Spain.

6. All directors have completed Mandatory Accreditation Programmes (MAP) and attended training during the financial year. MD/Group CEO who was appointed on 1 May 2017 has completed his MAP on 27 – 28 July 2017.
7. Management has also continuously organised in-house training and Directors' development initiatives in 2017. Induction briefings have also been organised for newly appointed MD/Group CEO, BRC Chairman and webe director in 2017. Heads of LOBs and divisions will also brief newly appointed Directors on the functions and areas of responsibilities of their respective divisions. This serves as a dual function, which is to familiarise the Directors with the operations and organisational structure of TM, as well as serve as a platform to establish an effective channel of communication and interaction with Key Senior Management.
8. Status of BTP as at 31 December 2017 was tabled at NRC Meeting in January 2018. The analysis on the total number of Directors' TH in 2017 is as depicted in Table below, whilst the list of conferences, seminars and training programmes attended by Directors in 2017 are tabulated as follows:



Others :

- Procurement (7%)
- Information Technology (2%)
- Regulatory, Economic (2%)
- Hospitality Management (2%)
- Compliance, Integrity, Investment (1%)
- Marketing (1%)

Directors' Training in 2017

Industry (33%)	<ul style="list-style-type: none"> ▪ Industry speaker session: Boston Consulting Group's "New Horizons in Digital Technology." ▪ Mobile World Congress 2017 ▪ Khazanah Megatrends Forum 2017: Cerebrum, Algorithm and Building True Value in a Post-Truth World. ▪ Digital Free Trade Zone ▪ Explore your possibilities with TM ▪ Active Learning and Machine Learning – The implications of business ▪ PwC Global Communication Industry Forum.
Strategy (23%)	<ul style="list-style-type: none"> ▪ Invest ASEAN 2017. ▪ The Montgomery Summit 2017 ▪ Global Transformation Forum 2017 : Driving Transformation

	Corporate Governance (14%)	<ul style="list-style-type: none"> ▪ National Seminar on Malaysian Code on Corporate Governance (MCCG) 2017. ▪ Corporate Directors Advance Programme (CDAP): MCCG 2017. ▪ Good Governance: Challenges for the ASEAN Community ▪ Corporate Governance Breakfast Series for Directors: Unleashing the Mindset of Innovation while up keeping Effective Governance. ▪ Executive Remuneration workshop
	Board Performance Management (8%)	<ul style="list-style-type: none"> ▪ Secret of Great Leaders ▪ Board Effectiveness: Are Boards worth it? ▪ Boardroom Effectiveness – Asian World Summit
	Procurement (7%)	<ul style="list-style-type: none"> ▪ ProcureCon Asia 2017.
	Finance/Audit (6%)	<ul style="list-style-type: none"> ▪ BNM-PIDM Industry Seminar on Recovery and Resolution and Resolution Planning ▪ Audit technical update
	Risk (3%)	<ul style="list-style-type: none"> ▪ Terrorism Awareness Programme. ▪ FIDE Elective – Understanding Liquidity Risk Management in Banking – ICLIF ▪ Anti-Money Laundering, Anti-Terrorism Financing & Proceeds of Unlawful Activities Act 2001 for Directors – Risk Challenges & Vulnerabilities towards Regulatory compliance.
	Information Technology (2%)	<ul style="list-style-type: none"> ▪ Non-Executive Director Programme - The application of social media to business. ▪ Cyber security; where and how NEDs can make a difference. ▪ International Conference on Information and Communication Technology (ICoICT 2017)
	Regulatory (2%)	<ul style="list-style-type: none"> ▪ The Companies Act 2016: Key Changes and Implications to Directors and Management. ▪ Anti-Money Laundering (AML), Anti-Terrorism Financing (CFT) & Proceeds of Unlawful Activities Act 2001 for Directors - Risk, Challenges & Vulnerabilities Towards Regulatory Compliance
	Economic (2%)	<ul style="list-style-type: none"> ▪ MEA Seminar: 2017 BNM Governor's Address on the Malaysian Economy & Panel discussion. ▪ Non-Executive Director Briefing – UK and global economic update. ▪ How do boards plan for economic and political uncertainty? – Paul Allen dinner. ▪ Economic Update with Roger Bootle.
	Investor Relations (1%)	<ul style="list-style-type: none"> ▪ Engagement with Investors
	Investment (1%)	<ul style="list-style-type: none"> ▪ Investing in private companies
	Marketing – 6TH (1%)	<ul style="list-style-type: none"> ▪ Guru Brand on Marketing & Advertising.
	Compliance and Integrity (1%)	<ul style="list-style-type: none"> ▪ Compliance Conference 2017 "Fostering Culture of integrity in financial institutions"
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	:	<ol style="list-style-type: none"> 1. The Company Directors' Code of Ethics is internalised in TM as a tenet for proper comportment of the Board of Directors. Through disclosure of interest at every meeting, Directors have implemented the principle relating to transparency, integrity and responsibility. 2. Apart from the above, the conduct of TM Board, Management, employees and all stakeholders of the Group is governed by the Code of Business Ethics (CBE), Procurement Ethics Rules and Practices, Integrity Pact, TM Anti-Corruption Guide and Whistleblower Policy. These policies and guidelines underline the Company's intolerance of corrupt practices and undesirable behaviour within and in relation to the Group as well as upholding the Company's value on Uncompromising Integrity. They continue to be a collective effort between the GIA, Corporate Investigation Unit, Group Human Capital Management and Group Procurement and the Ethics and Integrity Management Committee (EIMC) chaired by the MD/Group CEO. 3. The CBE is accessible via TM's official website at www.tm.com.my. 4. For suppliers, the CBE declaration is an annual occurrence, which provides a constant reminder of the Group's policy towards integrity. 5. Employees, Board members and suppliers involved at any level of procurement activity in TM are required to sign an Integrity Pact. 6. In support of the Malaysian Anti-Corruption Commission's initiative to eradicate corrupt practices in the nation, TM and its employees signed the Corruption Free Pledge in November 2017. These declarations signify the Group's commitment to creating a business environment that is free from corruption in its interactions with business partners and the Government.
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 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	:	<ol style="list-style-type: none"> 1. TM has established the Whistleblower Policy pursuant to the initiative under TM's Code of Business Ethics (CBE), allowing TM Group employees to report concerns about alleged unethical behaviour, as well as actual or suspected fraud within the Group. 2. TM Board is committed to internal whistle-blowing program by introducing a safe and acceptable platform for TM Employees and Business Partners to channel concern about improper conduct not limited to illegal, unethical, improper business conduct affecting the Company and about business improvement opportunities. 3. The CBE is subject to periodical review by the Board or as changes arise to ensure TM remains at the forefront of best practices in governance. 4. In November 2017, the Board approved the amendments to the CBE, which amongst others, provide channel of reporting directly to the designated Management as alternative mode for the employees and business partners to raise their concerns, identification of EIMC as the committee empowered by the Board to investigate and deliberate any concerns raised by employees and business partners, non-acceptance of anonymous letter and aligning to the whistleblower reporting channel to TM Ethics Line to preserve confidentiality.
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 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<ol style="list-style-type: none"> 1. Currently 58.0% of the Board members are Independent Directors. Seven Independent Non-Executive Directors (INEDs) form the majority on the Board of 12 directors. 2. All seven INEDs satisfy the independence test in paragraph 1.01 of the Main LR. Apart from the criteria, the independence of all TM Directors, including the NEDs, is assessed annually through the BEE. The NRC, as part of its ToR, undertakes the annual review of INEDs' independence status and tables its findings and recommendations to the Board. The Directors' skills, experience, contributions as well as their backgrounds, economic and family relationships are considered. Thereafter, NRC determines whether the Directors can continue to bring independent and objective judgement to the Board. The NRC also determines, according to character and judgement, whether there are relationships or circumstances which could affect, or appear to affect, the Independent Directors' judgement. 3. The BEE 2017 result on peer evaluation shown that the Directors have demonstrated their ability to act independently.
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.

Application	:	Not applicable - No independent director(s) serving beyond 9 years
Explanation on application of the practice	:	<ol style="list-style-type: none">1. The Board adopted Practice 4.2 whereby any retention of INED who served for more than nine years is to be put up for shareholders' consideration.2. As at the proposed date of the 33rd Annual General Meeting (AGM) on 26 April 2018, none of our INED's tenure exceed a cumulative term limit of nine years. Their length of service is set out in page 122 of the Corporate Overview of the 2017 IAR.3. In ascertaining the independence status of the Directors, the Board continues to believe that tenure should not form part of the assessment criteria. It is of the view that the fiduciary duties of Directors are the primary concern of all Directors, regardless of their status. The Board firmly believes that the ability of a Director to serve effectively is dependent on his/her calibre, qualification, experience and personal qualities, particularly his/her integrity and objectivity. It also believes there are significant advantages to be gained from long-serving Directors who possess insight and knowledge of the Company's business and affairs in view of the continuous challenges faced by the Company.4. The Board is steadfast in its opinion that although Step Up Practice 4.3 on the limitation of nine years cumulative tenure of INED is not formally adopted by the Company, it does not necessarily precludes the Board from adhering to the spirit of the principle.5. The disclosure on Board Independence is stated in pages 122 – 123 of the Corporate Overview of the 2017 IAR.
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	:	Any retention of INED who served for more than nine years will be put up for shareholders' approval.

Timeframe	:	Others	Please specify number of years.
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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	:	

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	:	<ol style="list-style-type: none"> 1. TM believes that the existing appointment process for selecting new Board member is adequate as it takes into consideration the required skills-set, experience, competency, regional and industry experience, and knowledge of the individual candidate, in addition to the candidate's gender and age and how these add to the Board's diversity. 2. While the Board is responsible for the appointment of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external and independent search, before making a recommendation to the Board. NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval. 3. NRC responsibilities however is not limited to review the key management positions identified as Pivotal Positions only and it may, if it deemed fit to review any other positions that are deemed strategic for the Company, including the position of the Company Secretary. 4. The disclosures on Board Skills and Experience is tabulated in page 121 whilst Board Diversity, Board Appointment, Directors' Retirement and Re-election are provided in pages 123 – 124 of the Corporate Overview of the 2017 IAR.
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 4.5

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board currently comprises 12 Directors, of whom three are women, or 25% female representation.</p> <ol style="list-style-type: none">1. Whilst the policy on 30% women director has yet to be formally adopted by the Company, the Board has agreed for initiatives in this regards are put in place. Our Board agreed that currently the 25% female representation on the Board is appropriate for the Company.2. TM Board did not set specific targets on gender diversity for the Company but endeavour to improve the number of women directors on the Board, based on pre-determined skill sets and competencies.3. The Group's approach to ensure Board diversity as stipulated in the Board Charter are as follows:<ol style="list-style-type: none">(i) recruiting from a diverse pool of candidates for the position of director;(ii) reviewing succession plans to ensure an appropriate focus on diversity;(iii) identifying specific factors for consideration in the recruitment and selection processes; and(iv) developing programmes to build a broader pool of skilled and experienced Board candidates.4. On Management front, to-date there are 12 women serving as nominee directors on the Boards of TM Group. There has also been an improvement in the number of women employees in top senior positions from 1 to 3 out of 19 positions or 16% in 2017 compared to 2016. The Board regards the said improvement as initial and consistent steps in cultivating talented women employees in TM as future directors in support of the government initiative.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	TM is committed to improve gender diversity but it shall not detract on its principles on selecting member based on all elements of diversity rather than gender alone. In advancing the gender diversity agenda, the Board has taken several initiatives such as:

	<ul style="list-style-type: none"> (i) increase of maximum Board members on the Board, as proposed in the new Constitution of the Company, subject to shareholders' approval at the forthcoming AGM to be held on 26 April 2018; (ii) prominent, suitable and qualified women have also been identified and included in the Directors' Pool for possible nomination as part of the succession plan for TM Directors; and (iii) continuously identify and select qualified women in Senior Management to undergo training to equip them with relevant knowledge to serve as Directors on the Boards of TM's subsidiaries and associate companies.
Timeframe	: Within 3 years

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	:	<ol style="list-style-type: none"> 1. The Company maintains a formal and transparent procedure for the appointment of new Directors. Appointment to the Board is made either by the Minister of Finance (MOF), being the Special Shareholder as defined in Article 97(1) of the Company's Articles of Association (AA), or by the Board of Directors pursuant to Article 98(1) of the AA. 2. Based on Article 109, the Special Shareholder may also appoint the EDs of the Company for such period and upon such terms as it may think fit and appoint another in his or their place(s). The EDs are however subject to the control of the Board of Directors. 3. Nominees to the Board are first considered by the NRC, taking into account the mix of skills, competencies, experience and other qualities required to manage a highly regulated communication business, before they are recommended to the Board. 4. While the Board is responsible for the appointment of new Directors, the NRC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary. 5. NRC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval. 6. The Company currently possess and utilises its own director pool based on collection of independent sources such as Institute of Corporate Directors Malaysia (ICDM) (formerly known as Malaysian Directors Academy [MINDA]), Women Directors Registry and external consultant when required. The Directors' Pool is continuously being updated by Cosec. 7. Should the need arise for appointment of new directors in the future, the Board agreed to seek external consultant to assist in gathering intelligence and assessment of candidates for selection.
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

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	:	<ol style="list-style-type: none"> 1. The NRC is chaired by Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, who has been designated as INED effective 30 April 2017, and was appointed Senior Independent Director (SID) on the same date. 2. He was appointed by the Board as the new SID based on his experience with the Board, seniority amongst the directors, and strong comprehension of the Company's governance issues. His collective tenure in the Company accords familiarity on the workings of the Board and its individual members. He is respected by the other Board members as he has consistently conscientious in preserving the interest of the Company first and foremost throughout his tenure as director irrespective of his position. 	
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	:	<ol style="list-style-type: none"> 1. The Board undertakes a formal and objective annual evaluation of its own performance, committees and individual directors. 2. The Board Effectiveness Evaluation (BEE), adopted since 2004, and conducted internally since 2011, assesses the Boards' responsibilities, composition, ways to foster commitment, administration and process, conduct, interaction and communication with management and stakeholders, and its evaluation on the Chairman and MD/Group CEO and ED/Deputy Group CEO. 3. Our Board noted the recommendation for Large Companies to engage independent experts periodically to facilitate objective and candid board evaluations. The Board in February 2018 has analysed the BEE 2017 Report and was satisfied with the findings and objectivity rendered. The Board agreed that there is no necessity for the Company to engage independent expert for the said exercise for BEE 2018 and will revisit the proposal in its next annual review. 4. The disclosure on BEE is provided on pages 124 – 125 of the Corporate Overview of the 2017 IAR.
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Directors' and Subsidiaries' Board Remuneration Framework and the Senior Management Remuneration Policy are currently not published on the Company's website.</p> <ol style="list-style-type: none">1. The Board has established the Directors' and Subsidiaries' Board Remuneration Framework which ensure that the remuneration mix is market competitive and equitable. The aim of the remuneration policy is to align with our strategic thrusts and value drivers, attract and retain Directors of such calibre who are able to provide the necessary skills and experience, commensurate with the responsibilities for the effective management of TM Group as well as support the philosophy of value-based management.2. The policy and framework for the overall remuneration of the EDs and NEDs are periodically reviewed against market practices by the NRC, following which recommendations are submitted to the Board for approval prior to the same being tabled for shareholders' approval.3. The performances of the EDs (as well as that of the Pivotal Positions and the Company Secretary) are reviewed annually by the NRC, and recommendations are submitted to the Board on specific adjustments in their remuneration and/or reward payments, reflecting their contributions for the year as well as the performance of the Company.4. Disclosure on the Directors and Senior Management Remuneration is provided on pages 125 – 128 of the Corporate Overview of the 2017 IAR.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Directors' and Subsidiaries' Board Remuneration Framework will be published onto the website by end 2018 whilst the Senior Management Framework will be disclosed in due course.

Timeframe	:	Others	
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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	:	<ol style="list-style-type: none">1. The Board has a Remuneration Committee, via the NRC, to implement its policies and procedures on remuneration of the board and Pivotal Position.2. NRC has dual roles since its inception. Both roles have been combined for the purpose of convenience and practicality, whereby the same members are entrusted with both functions. In addition to the nomination and remuneration function, NRC also oversees governance matters.3. Disclosure on NRC is provided in pages 129 – 130, whilst the disclosure on the Directors and Senior Management Remuneration is provided on pages 125 – 128 of the Corporate Overview of the 2017 IAR.4. The ToR of NRC is stipulated in the Board Charter available at the Company's website at www.tm.com.my.
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	:	Detailed disclosure on named basis for the remuneration of individual directors which include their fees, salary, bonus, benefits in-kind and other emoluments is provided in page 127 of the Corporate Overview of the 2017 IAR.	
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>Details of the remuneration of the top five Senior Management (including salary, bonus, benefit in kind and other emoluments) for the financial year ended (FYE) 2017 are provided in bands of 50,000 based on the number of senior management in those bands instead of on a named basis. The disclosure is provided in page 128 of the Corporate Overview of the 2017 IAR.</p> <ol style="list-style-type: none">1. The Board has identified the top five Senior Management of the Company as Pivotal Positions of which their appointment and remuneration falls under the purview of the NRC and TM Board. They are the MD/Group CEO, ED/Deputy Group CEO, Group Chief Financial Officer (Group CFO), Chief Strategy Officer (CSO) and Chief Technology and Innovation Officer (CTIO).2. As the disclosure under Practice 7.2 precludes the EDs, the Board has agreed that the other two Senior Management are the Chief Human Capital Officer (CHCO) and Chief Procurement Officer.3. Both Group CFO and CSO are only elected to the new positions in May 2017 whilst both CHCO and CTIO are no longer in TM's employment at the date of the AGM.4. In view thereof, the Board agreed that full disclosure is to be made after the Senior Management has successfully completed their one year service.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Full disclosure is to be made after the Senior Management has completed their one year service.
Timeframe	:	Within 1 year

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>1. The BAC is chaired by Ms Gee Siew Yoong. She has been appointed as the BAC Chairman since 1 January 2015. She is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountant. She is not the Chairman of the Board.</p> <p>2. BAC must not be chaired by the Chairman of the Board and this has been specified in the ToR of BAC.</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	:	<ol style="list-style-type: none"> 1. The Board has always recognised the need to uphold independence of the External Auditors. None of the members of the Board are former key audit partners of TM Group. As such, there is no such person being appointed as a member of BAC. 2. The policy has been adopted in the ToR of the BAC as provided in the Board Charter. 	
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	:	<ol style="list-style-type: none"> 1. Assessments of the effectiveness of the external auditor are conducted by relevant Management members and the BAC coordinated by the Group Internal Audit (GIA) division. The external auditor's qualifications and performance, quality of communication and interaction, and independence, objectivity and professional scepticism are assessed. 2. In the 2017 audit plan tabled to the BAC on 28 August 2017, the external auditor declared that they have maintained their independence in the course of audit for TM Group during the year in accordance with the firm's requirement and the By-Laws on Professional Independence of the MIA. They further declared that upon review of the non-audit services to TM, none of the services provided compromise their independence as the Group's external auditor. 3. Apart from the written assurance, BAC has also relied on the result of the assessment of the effectiveness of the external auditor undertaken by GIA. 4. Both BAC and Management are generally satisfied with the external auditor's service and in their opinion has fulfilled their duties and responsibilities during the engagement. 5. The financial year ended 2017 marked the fifth year of current audit partner and audit team's engagement with TM Group and according to Section 290.151 of MIA's By-Law (On Professional Ethics, Conduct and Practice) and embodied in Clause 8.2.5 of the Board Charter, the current key audit partner of the external auditor engaged to the Company shall be changed and shall be in moratorium for the next 2 years. Hence for the financial year ending 2018 a new audit partner will be assigned to TM Group. 6. The external auditor, which has been TM's external auditor since 1999, is recommended to be re-appointed for the ensuing year. Shareholders' approval is sought at the 33rd AGM on the re-appointment of the external auditor for the financial year ending 2018. 7. Disclosure on BAC Report for FYE 2017 is provided in pages 133 – 139 of the Corporate Overview of the 2017 IAR.
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	:	<ol style="list-style-type: none"> 1. BAC members collectively possess a wide range of necessary skills to discharge its duties. Gee Siew Yoong, is a member of the Malaysian Institute of Certified Public Accountants. While both Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil and Tunku Afwida Tunku Dato' A.Malek are Chartered Accountant and Fellow Accountant respectively with the Institute of Chartered Accountants in England and Wales. Gee Siew Yoong and Tunku Afwida are also members of the Malaysian Institute of Accountants. 2. All BAC members, Gee Siew Yoong, Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil, Datuk Zalekha Hassan, Tunku Afwida Tunku Dato' A.Malek and Balasingham A.Namasiwayam as shown by their profiles, are able to read and understand financial statements, and ask pertinent questions about the Company's financial reporting process. Other than finance, the BAC also encompass a wide range of expertise that is pertinent to the business, specifically telecommunication, processes and governance that are crucial in understanding and deciding on issues under its ToR. 3. In 2017, BAC members have attended various conferences, seminar and training programmes to enhance their knowledge in order to efficiently discharge their duties. On 5 March 2018, BAC members have also attended training on the new Malaysian Financial Reporting Standards (MFRS) 9, 15 and 16 and how they will affect and impact TM's financial reporting and business moving forward.
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	:	<ol style="list-style-type: none"> 1. TM Board is responsible for the establishment as well as oversight of the Group's risk management framework and internal control systems that are designed to manage the Group's risk appetite within acceptable levels of tolerance, rather than eliminate totally the risk of failure to achieve the Group's goals and objectives in generating returns to shareholders. 2. The Group's nature and scope of risk management and internal controls during the financial year 2017 is detailed in the Directors' Statement on Risk Management and Internal Controls (SORMIC) as provided in pages 142 – 147 to be read together with Enterprise Risk Management (ERM) Report and Business Continuity Management in pages 150 – 154 of the Corporate Overview of the 2017 IAR. 	
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	:	<ol style="list-style-type: none"> 1. Risk issues that could jeopardise the Group's business, identified by the Group Business Assurance (GBA) division of Group Finance are monitored through risk dashboard and updated to Board Risk Committee (BRC) on quarterly basis. The Board, delegating the task to BRC, ensures appropriate risk management framework and constantly monitors the review and management of principal risks by evaluating TM's corporate risk appetite and tolerance level for the Company's business sustainability. 2. The Board has also established an appropriate control environment with a control framework to review the effectiveness, adequacy and integrity of the Group's system of internal controls. It is designed to manage the risk of non-achievement of the Group's objectives and provide adequate assurance against the occurrence of any material misstatement or loss. 3. SORMIC, which provides an overview of the state of internal controls within the Group, is enumerated on pages 142 – 147 to be read together with ERM Report and Business Continuity Management in pages 150 – 154 of the Corporate Overview of the 2017 IAR.
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	:	Adopted
Explanation on adoption of the practice	:	<ol style="list-style-type: none">1. In its pursuit to improve the Corporate Governance practices, the Board at its meeting held on 25 March 2010 has established a BRC to provide more focus on risks issues. The role of the BRC is to assist the Board in ensuring that the Company has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Company's ability to achieve its strategic objectives.2. In carrying out its duties and responsibilities, the BRC shall have the powers according to its ToR as stipulated in the Board Charter.3. BRC comprises of a majority of independent directors i.e. 4 out of 5 members are INED.4. Disclosure on BRC and its activities in the financial year under review is provided in page 140 of the Corporate Overview of the 2017 IAR.

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	:	<ol style="list-style-type: none"> 1. Group Internal Audit (GIA) division reports directly to the BAC to preserve its independence and objectivity, and ensure audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence. GIA is reviewed periodically by BAC to ensure its adequacy in performing its role. 2. GIA provides independent, objective assurance and consulting services designed to enhance and protect organizational value. The internal audit charter approved by the BAC defines GIA's purpose, authority and responsibility. 3. Disclosure on BAC's activities in regards to internal audit is illustrated on page 137 to be read with SORMIC on pages 142 – 147 as well as the Statement of Internal Audit on pages 148 – 149 of the Corporate Overview of the 2017 IAR.
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	:	<ol style="list-style-type: none"> 1. GIA reports directly to the BAC to preserve its independence and objectivity, and ensure audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence. 2. GIA adopts the International Professional Practices Framework inclusive of the mandatory elements – Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, the definition of Internal Auditing, and Code of Ethics to manage its functions and perform the audit engagements. 3. GIA is also guided by the internal policies, procedures and framework as well as the Internal Control Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and Control Objectives for Information and Related Technology (COBIT) in assessing and reporting on the adequacy and effectiveness of the design, implementation and efficiency of the Group’s overall system of internal controls, risk management and governance. 4. Hazimi Kassim, the Chief Internal Auditor, is the person responsible for the internal audit functions in TM. He is a Chartered Member of the Malaysian Institute of Accountants and Institute of Internal Auditors Malaysia. His profile is on page 105 of the Corporate Overview of 2017 IAR. 5. Statement of Internal Audit is provided on pages 148 – 149 of the Corporate Overview of 2017 IAR.
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	:		
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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	<ol style="list-style-type: none">1. The Board acknowledges the importance of an effective, transparent and regular communication with its stakeholders, institutional investors and the investing public at large to provide a clear picture of the Group's performance and position. TM is committed in maintaining high standards in the dissemination of relevant and material information on the Group in order to maintain effective, comprehensive, timely and continuing disclosure of information.2. TM maintains an effective investor relations and shareholders communication programme and policy that ensures effective communication of TM's operations to its shareholders and stakeholders, and accommodates feedback from them.3. A sound Investor Relations (IR) programme is vital in managing the interests of shareholders, stakeholders and investors in the Company. Continuous engagement is maintained with the investing community through a planned IR programme managed by the IR Unit under the patronage of Group CFO. Shareholders and market observers are also welcomed to raise queries at any time through GBC and the IR Unit.4. An alternative communication line is presented to the investing community and other stakeholders through the SID. This is an important channel for minority shareholders and relevant stakeholders to air their concerns to the Company and Management.5. Communication and feedback from investors can also be directed to investor@tm.com.my or Head of Investor Relations Level 11 South Wing, Menara TM, Jalan Pantai Baharu 50672 Kuala Lumpur Malaysia6. TM also embraces social media as an important communication channel, apart from the Company's website, as an important communication channel with stakeholders as these channels allow immediate and easy access to information as well as providing a platform to gain feedback from stakeholders.7. The Board also ensures that the AGM and Extraordinary General Meeting (EGM) of the Company are conducted in an efficient manner and serve as crucial mechanisms in shareholder communications. Comprehensive and timely information is provided to shareholders to encourage active participation at the AGM and EGM.

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	:	<ol style="list-style-type: none"> 1. TM has adopted integrated reporting in 2017 and issued its first Integrated Annual Report for FYE 2016. 2. This is the second year that TM has adopted the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). The integrated reporting process is an ongoing journey to improve quality of information disclosures to stakeholders and promote greater transparency and accountability. 3. A key element of our integrated report is our business model, leveraging on our six capitals – financial, manufactured, intellectual, human capital, social and relationship and natural capitals – to create value for our stakeholders.
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	:	<ol style="list-style-type: none"> 1. TM dispatches the notice of the 33rd AGM to shareholders at least 28 days before the AGM, well in advance of the 21 day requirement under the Companies Act 2016 and the Main LR of Bursa Securities. The additional time given to shareholders allow them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys. It also enables the shareholders to consider the resolutions to make an informed decision in exercising their voting rights at the AGM. 2. The notice is also published in The Star and Berita Harian newspapers and made available on the Company's website. 3. In line with MCCG 2017's principle in encouraging shareholders' engagement with Board and Senior Management of the Company and participation in general meetings, the notice for the 33rd AGM has been enhanced to include all relevant information with regard the resolutions proposed for shareholders' approval. 	
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	:	<ol style="list-style-type: none"> 1. At the 32nd AGM held on 26 April 2017, all twelve Directors were present in person to engage directly with shareholders and proxies. 2. Apart from Directors, Management and CEOs of subsidiaries also attended the said meeting. 3. Attendance at the Company's AGM continues to be high as evidenced by the presence of 3,031 shareholders, proxies and corporate representative representing 68% of our total ordinary shareholding at the said 32nd AGM. 4. During the AGM, the Chairman invited members to raise any questions and seek clarifications on the proposals tabled. Members have encouragingly taken the opportunity to raise questions on the agenda items of the AGM. Appropriate answers and/or clarification are provided by the Board members, Committee chairmen or Senior Management in order to allow the members to make informed voting decisions at the meeting. 5. The proceedings of the AGM are recorded in minutes of the meeting and disclosed on the Company's website within 30 days after the 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	TM has yet to facilitate voting in absentia and remote participation by shareholders at general meetings.
		Resolutions during the AGM were arrived at via e-polling to enable all shareholders to cast their votes. A Poll Administrator was appointed to conduct the polling process. Shareholders have the option of appointing any persons as their proxies to attend, participate, speak and vote in their stead at the general meetings and are given ample notice to do so. Furthermore, the general meetings of the Company is always held in a centrally located and easily accessible venue with ample modes of public transport which enables shareholders to reach the meeting venue easily. Shareholders who prefer to drive to the venue are given free parking which are sufficient and easily accessed.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	TM will continue to leverage on technology and adopt e-polling as the preferred medium for shareholders to cast their votes. TM will continue to explore and consider the recommendations in the MCCG 2017 for remote shareholders' participation and voting in absentia.
Timeframe	:	Others

**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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