

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5225
COMPANY NAME : IHH HEALTHCARE BERHAD (“IHH” or “the Company”)
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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	- The Board is guided by its Board Charter which lays out its roles and responsibilities in reviewing and adopting the strategic direction of the Group, overseeing and evaluating the conduct of the Group's business, risk identification and implementation of appropriate risk management systems, establishing an Investor Relations Programme and reviewing the adequacy and integrity of the Group's internal control and management information systems. - The Board held its Board Strategy Retreat ("BSR") in August 2017 to review the performance of the Group and discuss the strategic intent of the Group over the next five years. The BSR was attended by all members of the Board, Senior Management and the relevant Heads of Department of the Group. Management presented an overview and report card of the Group's performance over the past two years since the last BSR held in 2015. At the BSR, the Board discussed the strategic plans to deliver growth outcomes for the Group. The BSR included presentations from external consultants on, among others, the developments within the health industry and its change drivers to facilitate the Board's discussions on the Group's strategy for the next five years. The outcome of the BSR is that both the Board and Management had established a shared understanding of the Group's strategic goals, objectives and actions.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	• The role of the Chairman of the Board is set out in the Board Charter. • The Chairman champions good governance and sets the tone of governance for the Board, maintains Board focus towards its goals during or outside of Board meetings and is insightful of current issues within and outside the healthcare industry. • Tan Sri Dato' Dr Abu Bakar bin Suleiman ("Tan Sri Dato' Dr Abu Bakar"), our former Non-Independent Executive Chairman, was positioned as an Executive Chairman of IHH given that he was the Executive Chairman of IMU Health Sdn Bhd ("IMU"), a wholly-owned subsidiary of IHH, which is a medical education arm of IHH Group overseeing the established higher learning institutions of International Medical College and International Medical University in Malaysia. Tan Sri Dato' Dr Abu Bakar has extensive experience in the medical and healthcare sectors which are tied to his qualifications and past experiences as the Director-General of Health and Director of Medical Services under the Ministry of Health in Malaysia. Tan Sri Dato' Dr Abu Bakar retired as Non-Independent Executive Chairman of IHH on 31 December 2017. • Following the retirement of Tan Sri Dato' Dr Abu Bakar, Dato' Mohammed Azlan bin Hashim ("Dato' Mohammed Azlan") was re-designated from Deputy Chairman of IHH, a position he held since March 2011, to Non-Independent Non-Executive Chairman of IHH on 1 January 2018. Dato' Mohammed Azlan has extensive experience in the corporate sector and during his career, has served in various capacities in the financial services industry and investment holding companies. Additionally, Dato' Mohammed Azlan has the skills, knowledge and experience necessary for that of a Board Chairman and he is also the Chairman of several other public listed entities in Malaysia.
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	:	• The Chairman is responsible for the overall effective functioning of the Board including the collective oversight of management. The Managing Director and Chief Executive Officer ("MD & CEO") meanwhile assumes executive responsibility and spearheads the day-to-day management of the company. Given the different nature of responsibilities of the Chairman and CEO, these positions are held by different individuals to ensure the integrity of the board's role in exercising objective oversight over management at all times. The separation of such roles also ensures that there is no unfettered power of decision-making vested in one individual. • The Board Charter spells out specifically the roles and responsibilities of the Chairman and MD & CEO respectively. • During the financial year, the Chairman of IHH was Tan Sri Dato' Dr Abu Bakar bin Suleiman whereas the MD & CEO of IHH is Dr Tan See Leng.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	• The Company Secretaries are experienced, competent and knowledgeable, and play an important role in advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. • The Company Secretaries support the Board in its leadership role, discharge of fiduciary duties and as stewards of governance. • The Company Secretaries are Michele Kythe Lim Beng Sze ("Michele Kythe Lim") and Seow Ching Voon ("Ching Voon"). Michele Kythe Lim is an advocate & solicitor with over twenty years' experience in areas of legal advisory/risk mitigation, corporate secretarial and compliance. Ching Voon is a certified Chartered Secretary with over fifteen years' experience in the corporate secretarial line.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	• The structured agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least five working days in advance of each Board meeting. • Draft minutes of Board meetings are circulated to the Directors within one month after each meeting for review.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	• The Board had in 2013 formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set out in the policy documents and guidelines issued by the relevant regulatory authorities. • As outlined in the Board Charter, the Board reserves full decision-making powers on itself in areas such as material acquisitions and disposition of assets, investments in capital projects, material borrowings, related party transactions, treasury policies, risk management policies and key human resource issues. • The Board delegates certain matters to the Board Committees as well as the Senior Management of the Company subject to the TORs and/or approving authority limits set by the Board in the LOA. While such delegation has been made, the Board has at all times exercised collective oversight of the Board Committees and Management and conducts regular review of the division of responsibilities to ensure that the Group is able to adapt to changing business circumstances. • The Board Charter outlines processes and procedures for the Board and its Committees in discharging their stewardship effectively and efficiently. • The Board shall review the Board Charter as and when it deems fit to ensure its applicability to the Company's current situation. The Board Charter was last reviewed and approved for adoption by the Board in May 2016 taking into account the changes to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. • The Board Charter is available on the Company's website at www.ihhhealthcare.com.
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 3.1

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	:	• The Board has established a Code of Conduct ("the Code") implemented throughout the Group which dictates the ethics and standard of good conduct expected of every Executive Director and employee. The Code which has been in place since 2013, provides a common behavioural framework for all employees of the Group irrespective of their specific job or location, as well as affords professional, ethical and legal guidance to all Directors and employees in the conduct of their business and that of the Group. Failure to comply with the Code may result in the commencement of disciplinary proceedings that may lead to termination of employment and/or appointment. • The Code covers areas such as compliance with the law, professional integrity, accurate and complete accounting, bribes, gifts and entertainment, conflicts of interest, the act of diverting, confidentiality and protection of company assets, political and charitable contributions, as well as occupational health, safety and environmental activities. Employees are to direct any questions they have about the Code and its application to their managers or the respective Human Resource departments. • The Code is available on the Company's website at www.ihhhealthcare.com.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	• IHH and its major operating subsidiaries have implemented a Whistleblowing Policy ("the Policy") since 2013 which seeks to engender an environment where integrity and ethical behaviour are fostered and any malpractice or impropriety within the Group is exposed. The Policy enables employees to raise concerns internally and at a high level and to disclose information on activities which they believe reflect instances of malpractice or impropriety. • IHH is committed to treating all such disclosures in a confidential and sensitive manner. The identity of the individual making the allegation will be kept confidential so long as it does not hinder or frustrate any investigation. Any concern about unethical behaviour or serious misconduct should first be raised with the immediate superior or respective Human Resource department where possible, or via email to governance@ihhhealthcare.com. Alternatively, employees may choose to write in confidence directly to the MD & CEO of IHH. Where reporting to Management is a concern, then the report should be made in confidence to the Chairman of IHH. • The Policy is available on the Company's website at www.ihhhealthcare.com.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	• At the end of the financial year, Independent Directors made up to approximately 44% of the current Board composition. • The Board believes the current board composition provides the appropriate balance in terms of skills, knowledge, experience and independent elements to promote the interests of all shareholders and to govern the Group effectively. • Apart from the suitability and availability of potential Board candidates, the Board would also need to take into consideration the size of the Board in its efforts to increase the number of Independent Directors. This is to ensure that the Board would still be able to function efficiently with the increased number of Directors.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board aims to increase the number of Independent Directors to a balanced proportion of at least 50% instead of a majority as recommended for Large Companies.
Timeframe	:	Within 2 years

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	:		
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 4.3 - 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	:	• The Company has adopted a Boardroom Diversity Policy which sets out the approach to diversity on the Board including gender, age and ethnic diversity. • The Company will also pay due regard to the following criteria in the selection and appointment of Directors and Senior Management: 1) Business experience/expertise from diverse industries (e.g. professionals with management experience in a medical services organisation, financial, legal etc.) 2) Age and gender diversity 3) Prior board experience 4) Worked in an organisation of comparable scale or complexity 5) Access to global networks and wide geographical/market experience • Where necessary, an independent consultant will be engaged to ensure there is due diligence work done in the search for qualified candidates as new Board members or Senior Management personnel.	
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 4.5

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	:	• The Board does not specify a target for boardroom diversity as the as the appointment of Board members should be based on objective criteria, merit and with due regard for diversity. • At the end of the financial year, the Board comprised two women Directors, one of whom is an Alternate Director, which represents approximately 17% of the Board composition. • Notwithstanding the lack of gender diversity on the Board at this point in time, the Board comprises Directors with diverse backgrounds, expertise, experience and ethnicity, all of whom contribute diverse perspectives and insights on Board decisions.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board remains committed in its efforts to source for and increase women representation on the Board depending on the availability of the right candidates.	
Timeframe	:	Others	5 years (subject to the availability of the right candidates)

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	:	The Group has adopted the Policy on Nomination and Assessment Process of Board Members which sets out the process and requirements to be undertaken by the NRC and Board in discharging their responsibilities in terms of nomination, assessment and re-election of the Board members. For new appointments, the candidate is identified not just through the recommendation of the existing board members, senior management and shareholders but also from independent third party referrals.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC is chaired by Shirish Moreshwar Apte, an Independent Non-Executive Director, who was re-designated as NRC Chairman in place of Chang See Hiang, the Senior Independent Non-Executive Director, who stepped down as NRC Chairman on 19 May 2017 and remained as a member of the NRC.	
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	:	• The Board, through the NRC, had carried out the annual assessment, conducted internally and facilitated by the Company Secretaries/Human Capital Management, covering the following in respect of the financial year under review: (a) Board performance as a whole; (b) Board Committees such as Audit and Risk Management Committee ("ARMC") and NRC; (c) Individual Directors; (d) Individual ARMC members; (e) Independent Directors; (f) MD & CEO; and (g) Group Chief Financial Officer, external and internal auditors. • In addition to the annual written assessment, the NRC Chairman conducted a one-on-one review session with each participating Director to further engage with the Directors and discuss the feedback given by the relevant Directors. • The outcome of the assessment is disclosed in the Corporate Governance Overview Statement of the Annual Report 2017 of the Company. • The Board is of the view that it is not necessary to engage independent experts to facilitate the Board evaluations for the time being. The NRC will assess the need for an independent expert's evaluation as and when deemed necessary.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	• The Group's policy on Directors' remuneration serves to attract, retain and motivate directors of the calibre that the Group needs to manage the Group successfully. To maximise the effectiveness of the remuneration policy, the remuneration package has been carefully aligned with industry practices while upholding shareholders' interests. The aim is to target an appropriate level of remuneration for managing the business in line with the strategy. The component parts of remuneration for the Executive Directors are structured so as to link rewards to corporate and individual performance. The NRC is responsible for reviewing and recommending to the Board, the policy and framework of the Directors' remuneration and the remuneration package for the Executive Directors. • The Board had agreed to use market capitalisation ("cap") as the financial metrics to benchmark the non-executive directors' fees as there is a very strong positive relationship between the directors' fees and the Company's market cap. • There is a guideline and policy in place which defines the pay range (based on market data) of different levels of Senior Management according to a job grade structure. Group Human Resources is currently undertaking a review of the job grade structure to ensure standardisation across the Group to the extent where possible and subject to different geographical and regulatory requirements.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	• The role of a Remuneration Committee is undertaken by the NRC which assists the Board to review and assess the remuneration framework of the Board members and Senior Management and this is reflected in the NRC's Terms of Reference ("TOR"). • The NRC's TOR is available on the Company's website at www.ihhhealthcare.com.
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	:	The detailed disclosure of each Directors’ remuneration package for the financial year was disclosed on named basis in the Corporate Governance Overview Statement of the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	• The Board is of the view that it is not to the Company’s advantage or best business interest to disclose the detailed remuneration of its Senior Management considering the competitive nature of the industry within which we operate and the sensitivities associated with such disclosure. The confidentiality of such information is also crucial for the Group in managing our talent bench effectively.	
		• Please refer to the explanation in Practice 6.1 on the qualitative aspect of the remuneration guideline and policy for Senior Management.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Board will monitor the market practice in respect of such disclosure for future consideration.	
Timeframe	:	Others	

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	:	The Chairman of the ARMC, Rossana Annizah binti Ahmad Rashid, is not the Chairman of the Board.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Company has in place a policy contained in the ARMC’s TOR 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 ARMC to ensure the independence of such appointment, if any.	
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	:	- IHH has an internal policy to perform a major review of external auditors every five years in line with market practice. The experience, capabilities, audit approach and independence of the audit firms are assessed by Management and recommended to the ARMC for appointment or re-appointment. - The ARMC would conduct an annual review and assessment in relation to the appointment and re-appointment of external auditors for statutory audit, recurring audit-related and non-audit related services. The objective of the review is to ensure that the independence and objectivity of the external auditors are not compromised. This annual review and assessment is carried out via an evaluation form covering areas such as calibre of the external audit firm, independence and objectivity, quality of the processes / performance, audit team, audit scope and planning, audit fees, audit communications and resources supported by the assessment conducted by relevant management members.	
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	:	Adopted
Explanation on adoption of the practice	:	The ARMC comprises solely of three Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	• The ARMC is comprised of members from diverse backgrounds with extensive experience in banking, finance, legal practice and corporate governance issues. • The ARMC members are encouraged to attend at least one training in a year with emphasis being exerted on relevant developments in accounting and auditing standards, practices and rules. The ARMC is also apprised of developments in accounting and auditing standards by the External Auditors impacting the Company/Group periodically.	
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

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	• The Board is fully committed to maintaining a sound system and framework of risk management and internal controls. The Board, through the ARMC, is responsible for governing risks and providing guidance to Management in formulating the risk management frameworks, policies and guidelines. It maintains oversight of all identifiable risks within the Group to ensure that the policies and procedures on risks and internal controls are implemented in accordance with the Group's business objectives. • The Group has put in place an Enterprise Risk Management ("ERM") framework to identify, assess, mitigate and monitor risks and uncertainties associated with the achievement of the Group's business objectives. Each major business operating entity or group adopts the ERM framework to systematically identify, evaluate and address key risks affecting its business and regulatory environment. On a quarterly basis, these key risks, internal controls and risk mitigation plans are reported to the ARMC, who in turn will report to the Board on critical risk issues, material matters and recommendations. • Risk appetites, including financial, strategic, operational and governance risk appetites, are defined in the Group's ERM Governance Policy. Key risk indicators and risk tolerance levels are also in place for the Management and the Board to regularly monitor key business risks. • The Statement on Risk Management and Internal Control of the Annual Report 2017 provides an overview of the risk management framework and state of internal controls within the Company and the Group.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	• The Group's ERM framework provides a holistic and systematic approach to risk management and internal controls. It outlines the governance principles, structure and accountabilities, as well as policies and limits in managing the Group's key risks. • ERM structures, responsibilities and processes are in place at each major business operating entity or group. This robust framework allows for periodic review of key risks and emerging risks, including financial, operational, regulatory, reputational, cyber security and IT, clinical quality and talent retention/manpower related risks so that pre-emptive actions and risk mitigation plans can be put in place to address and treat these risks. On a quarterly basis, these key risks, internal controls and risk mitigation plans are reported to the IHH ARMC, who in turn will report to the Board on critical risk issues, material matters and recommendations. • Our ERM framework has been developed and validated by external professional firms. References are made to the Singapore Code of Corporate Governance, Malaysian Code on Corporate Governance ("MCCG") and ISO 31000. • Apart from the self-assessment performed by Management on the adequacy and effectiveness of internal controls in mitigating the key risks, independence audits have been performed by the internal auditors on material internal controls such as financial and IT controls. External audits take the form of random checks and site visits by the Ministry of Health to assess compliance to local laws and regulations. In addition to these audits, the hospitals have also embarked on a voluntary third party assessment of its structure, process and outcome standards against the Joint Commission International (JCI) requirements for healthcare organisations. • The Statement on Risk Management and Internal Control of the Annual Report 2017 provides an overview of the risk management framework and state of internal controls within the Company and the Group.
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	• The Group has an independent internal audit function, reporting directly to the ARMC. The Group's internal audit function is undertaken in-house, save for IMU Group. The Group Internal Audit ("GIA") is guided by international standards and professional best practices of Internal Audit to enhance internal audit activities. The GIA uses structured risk-based and strategic-based approaches to develop its strategic audit plan which is reviewed and approved by the ARMC annually. • The ARMC reviews the internal audit reports issued by the internal audit function of the major operating companies during the year and these are presented at quarterly ARMC meetings. The Group Head, Internal Audit, meets with the ARMC Chairman twice a year without the presence of the Executive Directors and Management with the exception of the Company Secretaries to provide feedback on the audit activities, audit findings and any other related matters.
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	:	• The Board through the ARMC ensures that the GIA function is effective and able to function independently. The Board through the ARMC will also evaluate the competence and effectiveness of the GIA, whether the GIA department is adequately resourced and whether the GIA function is carried out in accordance with a recognised framework. • The ARMC reviews the Key Performance Indicators, competency and resources of the internal audit function to ensure that, collectively, the internal audit function is suitable and has the required expertise, resources and professionalism to discharge its duties, etc. GIA is independent of the business of the Group. • Audrey Huang Lok Sen (“Audrey Huang”) is the Group Head of Internal Audit of IHH. Audrey Huang has more than thirty years’ experience in auditing, including external audit experience as well as internal audit experience with various financial institutions. Audrey Huang is a Member and Governor of the Institute of Internal Auditors, Singapore, Fellow Member of the Association of Chartered Certified Accounts (UK), Member of the Institute of Singapore Chartered Accountants and Member of the Malaysian Institute of Accountants. In 2013, Audrey Huang obtained the Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors, Inc USA. • There are a total of 35 internal auditors across the Group, including the Group Head of Internal Audit. All the internal auditors have the required qualifications to carry out audit work. • GIA adopts a systematic and disciplined approach to evaluate the adequacy and effectiveness of the Group’s governance, internal control and risk management system, using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework.
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	• The Company has a dedicated Investor Relations ("IR") and Corporate Communications Department which maintains active dialogue with key institutional investors and analysts, as well as answers queries from shareholders. • The IR programme is conducted throughout the year to ensure that a series of planned activities are implemented to communicate IHH's strategy, operational performance, financial results and other material developments to the Stock Exchanges (Bursa Securities and SGX), analysts, investors, shareholders and other stakeholders in a timely, open and comprehensive manner. IR regularly participates in investor conferences and non-deal roadshows organised by the sell side brokers. During the financial year, the Company participated in eight investor conferences and non-deal roadshows. • The Group's Investor Relations Policy is available on the Company's website at www.ihhhealthcare.com. • IHH's corporate website at www.ihhhealthcare.com provides a dedicated platform for stakeholders to access essential information of the Group. • Shareholders and investors can make inquiries about IR matters via a dedicated email address at ir@ihhhealthcare.com.
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	:	The Annual Report 2017 has been prepared in accordance with the International <IR> Framework by the International Integrated Reporting Council and the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines to enhance reporting connectivity while providing stakeholders with a more holistic view of how the Company creates and sustains value.	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	• The MCCG was released by the Securities Commission Malaysia on 26 April 2017 which was after the cut-off date for printing and subsequent issuance of the Notice of Seventh Annual General Meeting (“AGM”) on 28 April 2017. As such, the Company was not able to comply with the recommendation.	
		• The Company will comply with the recommendations of the MCCG beginning year 2018 onwards.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Beginning year 2018, the Notice and agenda of the AGM together with the Form of Proxy will be given to shareholders at least twenty-eight days before the AGM.	
Timeframe	:	Others	Immediate

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	• All Directors will attend the general meetings of the Company, unless unforeseen circumstances or pressing commitments prevent them from doing so. Any leave of absence must be justified accordingly. • The Chairman of the Board Committees endeavour to attend the general meetings of the Company to address any stakeholder concerns on matters relating to the functions and activities under the purview of their respective Committees. In the event any Director is unable to attend the general meeting, he/she will inform the Board Chairman in advance, then at the meeting, the other Board members (including MD & CEO) will assist in addressing the questions raised. • The Chairman of all the Board Committees attended the Seventh AGM of the Company held on 21 May 2017 to address any stakeholder concerns on matters relating to the functions and activities under the purview of their respective Committees.	
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

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	:	• There is no facility for shareholders' voting in absentia or remote participation at general meetings available to date.	
		• All the resolutions intended to be moved at the Company’s general meeting would be voted by poll. • The Company has implemented electronic poll voting for all resolutions at its Seventh AGM and intends to conduct electronic poll voting for all resolutions at its general meetings moving forward. • The Company is mindful of organising its general meetings at a venue that is accessible to shareholders and able to cater to the crowd in attendance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	IHH shall be guided by Bursa Malaysia and other relevant authorities as to how this could be implemented and will explore the availability of such platform / applications / system to facilitate such remote participation. Where necessary, the Company's Constitution will be amended to allow for voting in absentia.	
Timeframe	:	Others	Subject to availability of the necessary platform / applications / system

**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.

Not Applicable.
