

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5517

COMPANY NAME : Shangri-La Hotels (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 PURSUANT TO 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	:	<p>The Board takes collective responsibility for the proper stewardship of the Company's business, and has established procedures which provide accountability, probity and a focus on the successful long-term performance of the Company for the benefit of its shareholders.</p> <p>To enable it to oversee and control the business and affairs of the Company, the Board maintains a formal schedule of matters reserved to it for decision. This schedule includes approval of: business strategy and objectives; corporate governance arrangements; financial reporting and audit; annual budgets and operating plans; major capital expenditure, acquisitions and disposals; appointments to the Board; dividend recommendations; treasury policies; and the overall system of internal control and risk management. The Board has put in place a formal structure of delegated authority, whereby specific aspects of the control and management of the Group have been delegated to the Managing Director and several Board committees.</p> <p>The Board has delegated day-to-day operational decisions to the executive directors who are also responsible for monitoring financial performance, developing Group strategy and policy including capital expenditure budgets, and reporting on these areas to the Board for approval.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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	:	<p>The roles and responsibilities of the Chairman of the Board are specified in Paragraph 3.2 of the Board Charter.</p> <p>The non-executive Chairman ensures the effective functioning of the Board.</p> <p>He is responsible for the integrity and efficiency of the corporate governing process of the Board and maintains regular dialogue with the Managing Director on financial and operational matters.</p> <p>He also consults the other Board members promptly about any matters of major concern.</p> <p>The Chairman acts as facilitator at Board meetings to ensure that there is an active exchange of views and that the deliberations result in logical outcomes.</p> <p>He checks that all relevant items are placed on the agenda and all information is provided on a timely basis</p> <p>The Chairman ensures the effective communication and information flow between the management and the Board, so as to enable the Directors to assess the direction of the Group and the performance of the management.</p> <p>The Board Charter is available on the Company's website at www.shangri-la.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Managing Director are held by two different individuals.</p> <p>The roles of Chairman and Managing Director are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board to ensure a balance of power and authority.</p> <p>The Chairman is responsible for the overall operation and leadership of the Board, whereas the Managing Director is responsible for leading and managing the Group's businesses and implementing Board strategy and policy.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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	:	<p>The Group Company Secretary is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators and has held the position since August 1991.</p> <p>She is responsible for ensuring that Board procedures are followed and that compliance with applicable rules and regulations is implemented throughout the Group.</p> <p>She also monitors and updates the Board on changes in the regulatory environment.</p> <p>The Group Company Secretary manages Board and Board committee meeting logistics, including making sure that all relevant materials are sufficiently detailed and received in time enough to allow for due consideration, as well as attending to all records and minutes.</p> <p>The Group Company Secretary undertakes continuous professional development.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supplied with complete, accurate and timely information, so as to enable it to discharge its responsibilities fully and efficiently.</p> <p>Between Board meetings, Directors are kept informed about relevant matters and the latest issues affecting the Group. The Board is also updated regularly on pertinent legislative and regulatory developments, as well as changes to accounting and corporate governance standards. The Group has a comprehensive system for reporting financial results to the Board.</p> <p>Meeting materials, containing sufficient particulars and information, are usually circulated seven days prior to Board meetings.</p> <p>The deliberations and decisions of Board meetings are fully recorded in the minutes, including matters on which Directors abstained from voting or deliberation.</p> <p>Minutes are circulated with the Board papers for confirmation at the following Board meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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	:	<p>The Board has a Board Charter which is reviewed when necessary, and the Board Charter is published on the Company's website.</p> <p>With the introduction of the Companies Act 2016 and the 2017 Code, the Board is in the process of reviewing the Board Charter in the light of the new changes.</p> <p>The Board Charter sets out the specific roles and responsibilities of the Board, the Chairman, the Managing Director and the Board Committees, including the Audit Committee (AC), the Policy Implementation Committee and the Nomination and Remuneration Committee (NRC).</p> <p>Issues and decisions reserved for the Board are set out in a formal schedule and includes approval of: business strategy and objectives; corporate governance arrangements; financial reporting and audit; annual budgets and operating plans; major capital expenditure; acquisitions and disposals; appointments to the Board; dividend recommendations; treasury policies; and the overall system of internal control and risk management.</p> <p>The Board Charter and the Terms of Reference of the AC and the NRC can be found at the Company's website at www.shangri-la.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has established a Code of Conduct and Ethics for all officers, directors and employees of the Group. The Code promotes the Group's core values of integrity, fairness, respect, ethical business conduct and service excellence.</p> <p>The Code of Conduct and Ethics outlines the standards, values and responsibilities in areas such as compliance with the law, leadership responsibilities, equal opportunity and respect, protecting Company assets, conflict of interest, prevention of bribery and corruption, protection of confidential information, privacy and data protection, insider dealing, anti-competitive practices, health and safety, corporate social responsibility and whistleblowing policy.</p> <p>Every employee is a signatory to the Code.</p> <p>The Code of Conduct and Ethics is available on the Company's internal website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has a Whistleblowing Policy which sets out the process by which reports are to be made.</p> <p>It is the duty of employees who become aware of any suspected or known violation to promptly report the matter to the Company.</p> <p>The Whistleblowing Policy protects the whistleblower from reprisal and retaliation and any employee who engages in such reprisal or retaliation is subject to serious disciplinary action.</p> <p>The Group's Whistleblowing & Whistleblower Protection Policy (for external users) is available on the Company's website at www.shangri-la.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	In 2017, the NRC and the Board commenced a selection and recruitment process to identify potential candidates for new Board appointments as part of the Board’s renewal and succession plan.	
		In 2017, four out of eight directors of the Board were independent, which meant that 50% of the Board was comprised of independent directors.	
		The independent directors remained independent in character and judgment and provided critical and constructive challenges to the executive management when deliberating on Board matters.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	<p>On 28 February 2018, the Company appointed three new independent directors to the Board, namely Mr Goh Ching Yin, Dato’ Sri Khazali bin Ahmad and Encik Ahmed Reza bin Mohd Ghazali.</p> <p>Since then, the Board composition has comprised a majority of independent directors, seven of the eleven directors being independent.</p> <p>The Company also announced on 27 February 2018 that four directors will be retiring at the conclusion of the Company’s upcoming Annual General Meeting (AGM) on 17 May 2018, namely Dato’ Seri Ismail Farouk Abdullah, Dato’ Dr Tan Tat Wai, Datuk Supperamianiam a/l Manickam and Mr Tan Yew Jin.</p> <p>Upon the conclusion of the AGM, the Board will still comprise a majority of independent directors, with four of the seven directors being independent, in compliance with Practice 4.1 of the 2017 Code.</p>	
Timeframe	:	Others	Has been complied with from 28.2.2018.

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	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>At the Company's AGM on 18 May 2017, shareholders' approval was duly sought and obtained to retain the four independent non-executive directors, namely Dato' Seri Ismail Farouk Abdullah, Dato' Dr Tan Tat Wai, Datuk Suppermaniam a/l Manickam and Dato' Haris Onn bin Hussein, all of whom have served more than nine years.</p> <p>At the upcoming AGM on 17 May 2018, the Company will be seeking shareholders' approval to retain Dato' Haris Onn bin Hussein, who has served more than nine years but less than twelve years, as an independent non-executive director, in line with Practice 4.2 of the 2017 Code.</p> <p>The Board is of the view that Dato' Haris Onn bin Hussein remains independent in character and judgment and continues to provide critical and constructive challenges to the executive management when deliberating on Board matters.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - 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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group strives to ensure a fair and inclusive workplace that enables everyone to pursue their professional and personal goals, and where colleagues treat each other with respect.</p> <p>The Group embraces diversity, provides equal opportunities in all aspects of employment, and repudiates all forms of discrimination, whether on the basis of gender, race, religion, disability, marital status, family status, sexual orientation, or any other personal characteristics.</p> <p>The Board duly acknowledges that diversity produces a more balanced and rounded perspective in decision making.</p> <p>The Board comprises individuals with a broad range of core competencies such as corporate finance, accounting, banking, investment, real estate and legal expertise, as well as business management, organisational development and strategy, and relevant industry knowledge.</p> <p>The Board always considers potential candidates from the widest possible pool, basing selection on merit, skills and experience.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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 Group is committed to gender diversity not only within the Board of Directors but at all levels throughout the Group.</p> <p>In 2017, two of the directors were women, namely Madam Kuok Oon Kwong and Datin Rozina Mohd Amin. As well as making up 25% of the Board, both were part of senior management.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>At the conclusion of the upcoming AGM on 17 May 2018, the percentage of women on the Board of SHMB will increase to 29%, which substantially complies with Practice 4.5.</p> <p>The Board will keep in view Practice 4.5 when making any new appointments to the Board.</p>
Timeframe	:	Others

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 the 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During 2017, neither an independent search consulting firm nor open advertising was used to identify suitable candidates for the Board appointments made on 28 February 2018.</p> <p>Instead, specific criteria were drawn up by the NRC, taking account of the areas of expertise that needed to be added to the Board. The NRC identified that expertise in finance and accounting, organisational development and strategy, and public sector and governmental affairs would all add value to the Group.</p> <p>The Board then considered potential candidates of the highest calibre in the specified fields. To achieve the right outcome, the selection of candidates was based on their skills, experience and fit with the existing Board members.</p> <p>Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Encik Reza bin Mohd Ghazali were identified as the candidates who best fulfilled the briefs developed by the NRC. Following a series of rigorous interviews and formal meetings with the Chairman and other members of the Board, the Board approved the three new appointments.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The services of external search consultants may be utilised in the future depending on the specific skills and expertise required.
Timeframe	:	Others

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	:	In 2017, the NRC was chaired by Dato' Dr Tan Tat Wai, who is the Senior Independent Director of the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In 2017, an annual evaluation of the effectiveness of the Board, its committees and individual directors was undertaken by way of a peer assessment review, with fellow directors providing constructive feedback to each other and identifying areas where improvements could be made.</p> <p>The Board has a healthy culture of openness and debate, which enables constructive feedback to be given freely and without constraints during assessments. Therefore, the Board is of the view that the current peer assessment review process enables proper evaluation of the Board, its committees and each individual director.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The NRC and the Board will look into developing and establishing a formal performance process to evaluate the Board, its committees and individual directors in line with the recommendation of Practice 5.1.
Timeframe	:	Within 1 – 2 years.

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 the skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has in place policies and procedures to determine the remuneration of directors and senior management of the Group, which are reviewed periodically. However, the remuneration policies are not available on the Company's website due to their confidential and sensitive nature.</p> <p>The Company's general policy on the remuneration of executive directors is to offer competitive remuneration packages designed to attract and retain high calibre executives and to motivate the highest performance. The NRC advises the Board on the overall remuneration policy for the executive directors.</p> <p>In determining the structure and level of individual remuneration packages, the NRC takes into account specific responsibilities, individual performance, the business performance of the Company and the general economic outlook. It aims to provide a balanced remuneration package, which consists of an appropriate level of basic salary and an annual bonus linked to the Company's revenue, EBITDA, return on equity and the achievement of annual targets related to the performance of the Company. The NRC makes comparisons with the remuneration practices and salary levels of comparable companies, particularly in the hotel industry, but exercises its own judgement as to whether such other practices are appropriate for the Company.</p> <p>The non-executive directors of the Company are paid an annual fixed fee for serving on the Board, which is determined by the Board as a whole, subject to shareholders' approval at the AGM.</p> <p>No director is involved in deciding his or her own remuneration.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a NRC.</p> <p>The NRC is responsible for recommending to the Board a remuneration framework and policy that enables the Group to attract and retain executive directors of the necessary calibre and quality.</p> <p>The Terms of Reference of the NRC are available on the Company's website at www.shangri-la.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

There is detailed disclosure on a 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 disclosure of the remuneration of individual directors on a named basis is made in the Corporate Governance Overview Statement in the Company's 2017 Annual Report, with the remuneration categorised under fees, salary, bonus, benefits in kind and other emoluments.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The remuneration received by the top five key executives of the Group on an aggregate basis for the financial year ended 31 December 2017 is disclosed in the Corporate Governance Overview Statement in the Company's 2017 Annual Report.</p> <p>In the Board's view, the disclosure of the remuneration of key executives on a named basis with specific remuneration components would not be in the best interest of the Group due to confidentiality concerns. This is because the Group operates in a highly competitive industry with many new hotels entering the market. The disclosure as recommended by Practice 7.2 would therefore be disadvantageous to the Group's business.</p> <p>The NRC and the Board will continue to ensure that the remuneration remains competitive with the market rate and commensurate with performance.</p> <p>The disclosure of the remuneration of the Group's key executives on an aggregate basis allows stakeholders to consider the overall remuneration of such key executives within the context of the Group's performance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will closely monitor any changes in market practice and will review its response to Practice 7.2 annually.
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	:	In 2017, the Chairman of the AC was Dato' Seri Ismail Farouk Abdullah, an independent non-executive director, who is not the Chairman of the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	In 2017, the AC did not have such a specific policy.
	:	In practice, the Company has to date never appointed a former key audit partner to the Board or to the AC.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	For good measure, the Terms of Reference of the AC will be updated to require any former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC.
Timeframe	:	Within 1 year

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AC reviews the terms of engagement and the performance of the external auditor and the effectiveness of the audit process, including the objectivity and independence of the external auditor.</p> <p>The AC has established criteria to ensure the independence of its external auditor by restricting its fee for non-audit services to a percentage of its total annual audit fee.</p> <p>In addition, the external auditor is required to provide annual written confirmation of its independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Since 30 March 2018, the Step Up has been adopted. The AC now comprises three independent non-executive directors, namely Mr Goh Ching Yin, Dato' Haris Onn bin Hussein and Dato' Sri Khazali bin Ahmad.

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 be able to understand matters under the purview of the Audit Committee including the financial reporting process.

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AC members who served throughout 2017 are financially literate and able to understand matters under the purview of the AC and are familiar with the financial reporting process.</p> <p>Specifically, Mr Tan Yew Jin is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, a Fellow member of Certified Practising Accountants Australia and a Fellow member of the Institute of Singapore Chartered Accountants.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has ultimate responsibility for the Group's risk management and internal control system and for reviewing its effectiveness, adequacy and integrity including its financial and operational controls and compliance with relevant laws and regulations.</p> <p>The Board has established a process and procedure for identifying, evaluating, monitoring and managing risks faced by the Group, which accord with the guidance on risk management and internal controls provided in the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers.</p> <p>The Group has an established framework of procedures and internal controls with which the management of each operating business unit is required to comply.</p> <p>The Board has delegated the responsibility for the review of the risk management and internal control system to the AC. The AC considers significant control matters, receives regular reports from the Internal Audit Department (IAD) of the Company's ultimate holding company, and reports its findings and conclusions to the full Board on a quarterly basis.</p> <p>These procedures ensure that the Board is aware of key risks facing the Group and that the risk management and internal control system is regularly reviewed for effectiveness and adequacy.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The key features of the Group’s risk management and internal control framework are disclosed in the Statement on Risk Management and Internal Control in the Company’s 2017 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is carried out by the IAD.</p> <p>The IAD is responsible for reviewing and providing assurance of the effectiveness, adequacy and integrity of the Group's system of internal control and risk management, and compliance with Group policies and procedures.</p> <p>In addition, the IAD carries out detailed independent accounting inspections of financial records at least once a year to evaluate the efficiency of the accounting and financial controls of the Group hotels and resorts. It performs audits of new hotel developments, hotel extension projects and renovation projects, focusing on tenders, procurement, project mobilisation and design approval processes.</p> <p>The IAD reports to the AC on the effectiveness of the Group's risk and control management and recommends improvements. The audits performed by the IAD utilise risk-based audit plans approved by the AC.</p> <p>The IAD also provides an annual written declaration that its members have no relationships or conflicts of interest which could impair their objectivity and independence.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies 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 necessary disclosures can be found in the AC Report in the Company’s 2017 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is 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	:	<p>The Board is committed to ensuring the accurate and timely disclosure of information to all shareholders. The Company keeps shareholders abreast of the overall financial performance and future development of the Group by way of its annual report and accounts, quarterly announcements of results made through Bursa Malaysia, press releases and circulars to shareholders.</p> <p>It also holds meetings with institutional investors and financial analysts on a regular basis each year to discuss matters relating to the Group's performance, business activities and growth plans and to respond to any queries they may have.</p> <p>The AGM provides the Board with an opportunity to communicate with and answer questions from shareholders. The entire Board is also available to talk to shareholders before and after the meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The financial reporting and disclosures are sufficient for stakeholders to make informed decisions with respect to the business of the Company as well as the environmental, social and governance processes and procedures of the Company.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board acknowledges the benefits of integrated reporting based on a globally recognised framework such as the International Integrated Reporting Council's International Integrated Reporting Framework and will consider its implementation.
Timeframe	:	Within 3 years

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	:	More time was required to deal with the changes introduced by the 2017 Code and the Listing Requirements of Bursa Malaysia.
		Notwithstanding, in respect of the Company's upcoming AGM on 17 May 2018, Notice of the AGM was given to shareholders 23 days prior to the meeting, which is an improvement on the notice period of 21 days given for the 2017 AGM.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will strive to meet the 28-day notice period for the next AGM in 2019.
Timeframe	:	Within 1 year

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	At the Company's 2017 AGM held on 18 May 2017, all directors were present with the exception of Dato' Dr Tan Tat Wai, who was absent due to a prior commitment which could not be re-scheduled.
		The Managing Director and the Board appropriately addressed all questions posed by the shareholders at the Company's 2017 AGM.
		A "Summary of Key Matters Discussed at Annual General Meeting Held on May 18, 2017" can be found at the Company's website at www.shangri-la.com .
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	As far as possible, all directors and chairs of the respective Committees of the Board will attend general meetings to enable the shareholders to engage in an effective manner.
Timeframe	:	Others

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	:	<p>The Board is committed to engaging with its shareholders.</p> <p>The Company always holds its AGMs at the same location in Kuala Lumpur.</p> <p>Shareholders are allowed to appoint proxies to attend, participate, speak and vote on their behalf at the AGM.</p> <p>More than 75% of the shareholding of the Company was represented at the 2017 AGM.</p> <p>The Company has leveraged on technology by introducing electronic voting at its AGM.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company is supportive of leveraging on technology to enhance shareholder participation at general meetings. However, it would need to consider in greater detail the most suitable technology and platforms to facilitate voting in absentia and participation by remote shareholders'.
Timeframe	:	Others