

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6351
COMPANY NAME : Amway (Malaysia) Holdings Berhad
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board continues to execute its fiduciary duties to use reasonable care, skill & diligence in line with Section 211 (1) and (2) and Section 213 (1), (2) and (3) of the Companies Act 2016.</p> <p>In executing its duties, the Board relies on a defined governance framework consisting amongst others:</p> <ul style="list-style-type: none"> • Board Charter • Audit Committee Terms of Reference • Nominating Committee Terms of Reference • Remuneration Committee Terms of Reference • Boardroom Diversity Policy • Code of Ethics • Whistleblower Policy <p>The Board, on an annual basis, reviews and approves the annual strategic plan, operating budget and capital expenditure budget. Management provide updates on the implementation of strategic plans and performance of the Group at Board meetings. Further details of the Board's role in setting strategy are given in the Corporate Governance Overview Statement in pages 55 to 77 of the 2017 Annual Report.</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 Chairman has clearly defined roles which are distinct from the Managing Director's duties.</p> <p>The Chairman facilitates board meetings, soliciting feedback and input from all Directors, in particular Independent Non-Executive Directors and other Non-Executive Directors in an open and constructive manner. The Chairman may also solicit the views of other parties such as Senior Management should their presence be requested at the meeting(s).</p> <p>With the assistance of the Company Secretary, the Chairman also ensures that good corporate practices and procedures are established and implemented throughout the Group.</p> <p>The Managing Director ("MD") drives the strategic day-to-day management of the Group. Together with the Senior Management, the MD is responsible for translating strategic objectives, policies and goals set by the Board into tangible business targets or Key Performance Indicators ("KPIs") and for the realisation of these through actionable business plans.</p> <p>While the Board has given the MD and the Senior Management team a certain degree of flexibility and autonomy in the execution of business plans, the MD is still accountable to the Board and reports to the Board on Group performance periodically.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Company has different individuals holding the positions of Chairman and the MD / CEO.</p> <p>The Chairman is Dato' Ab. Halim Bin Mohyiddin. He is also the Senior Independent Non-Executive Director ("INED").</p> <p>Mr Liu, Ming-Hsiung @ Martin Liou is the MD. He is supported by a Senior Management team.</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 has the services of two (2) Company Secretaries, Wong Wai Foong and Kuan Hui Fang who have more than 20 years each of Corporate Secretarial experience.</p> <p>They have been working with the Group for over three (3) years and have developed a consummate working knowledge that allows them to effectively discharge their duties to the Board. These duties include providing advisory to the Board on matters of corporate governance, on matters of rules and responsibilities as well as serving as other related duties.</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>Board and Board Committee papers and meeting agenda prepared by Management and the Company Secretaries are furnished to Directors and Board Committee members at least seven (7) days in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings.</p> <p>The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. Meetings of the Board and the Board Committees are properly minuted and circulated to all Board members.</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 clearly details the fiduciary duties of Directors. It also outlines the roles of the various Board Committees as well as policies, governance and leadership matters including matters reserved for the Board. The Board Charter is revised from time to time in tandem with changes in regulations and best practices.</p> <p>In keeping with the Practices of the Malaysian Code on Corporate Governance (“MCCG”), a revised Board Charter was approved on 26 February 2018.</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 clear Code of Ethics which serves as the basis for the formulation of policies governing accepted corporate behaviour, conduct and practices across the Group to be followed by the Board of Directors and employees of the Group.</p> <p>The Code of Ethics is available at our website www.amway.my.</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>Augmenting the Code of Ethics is the Group's Whistleblower Policy which was implemented in 2012.</p> <p>The AC is responsible for oversight of the Whistleblower policy while administration of the policy is performed by the Group's legal counsel.</p> <p>Contents of the Whistleblower Policy can be viewed at our website www.amway.my. Those who wish to disclose information under the Whistleblower Policy may contact our Senior INED via email: hskdan40@gmail.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 independent directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>As at 31 December 2017, the Board has nine (9) members, comprising the Managing Director, Executive Director and seven (7) Non-Executive Directors, four (4) of whom are Independent. The composition fulfils the one-third (1/3) requirement as set out under the Listing Requirements of Bursa Securities.</p> <p>The Board composition consists of an experienced group of professionals from a diverse but related range of professional fields that are relevant to the Group's business goals and requirements. The profile of each Director is set out on pages 45 to 53 of this Annual Report.</p> <p>Hence, this accumulation of expertise and experience as well as the nurturing of an open and transparent discussion environment during Board meetings, have helped to ensure healthy discussion and deliberation on Company matters.</p> <p>The Board composition will have at least 50% independent directors following the resignation of Mr Liu, Ming-Hsiung @ Martin Liou as MD effective 1 May 2018. The position of MD is taken over by Mr Michael Jonathan Duong, the Executive Director, effective 1 May 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>At the 22nd Annual General Meeting ("AGM") held on 17 May 2017, the Board sought the approval of shareholders to allow Dato' Ab. Halim Bin Mohyiddin and Tan Sri Dato' Cecil Wilbert Mohanaraj Abraham, who have sat on the Board for more than 9 years, to continue in office as Independent Non-Executive Directors.</p> <p>As the two-tier voting requirement is effective for resolutions to be tabled at general meetings after 1 January 2018, moving forward the Company will carrying out a two-tier voting to seek shareholders' approval to retain Independent Non-Executive Directors who have served in that capacity for more than twelve years.</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	:	Given that Amway is not categorised as a large company, the Company has not adopted the above Practice for the financial year.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>A non-discriminatory policy is applied in the assessment of potential directors. The Nominating Committee (“NC”) is responsible to ensure the most applicable candidates with consideration given to the individual’s capacity, track record, experience and qualifications. The identification, assessment and recommendation of potential Board members by the NC are based purely on merit.</p> <p>In addition, the Board had in place a Boardroom Diversity Policy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and workforce.</p> <p>The same applies for Senior Management. However, this process comes under the Group’s Human Resources policy which is administered by the Human Resource Department.</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>As at 31 December 2017, the Group has a female Independent Non-Executive Director, Tan Sri Faizah Binti Mohd Tahir who was appointed on 8 May 2014.</p> <p>The Board is committed to bridging the gender gap and in 2017 has worked towards establishing definite targets and measures. At the same time, the Board remains committed in promoting gender diversity within an equal opportunity workplace environment at all levels of the Group's organisation</p> <p>As of 26 February 2018, the Board approved a revision to the Boardroom Diversity Policy to include a target of at least one (1) female Director to be on the Board.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NC is tasked by the Board to identify, consider and recommend suitable persons for appointment as Directors. In making the recommendations, the NC shall assess and consider the candidates' skills, knowledge, expertise, experience, professionalism, commitment, contribution, performance, character, integrity and competence. The NC would also consider boardroom diversity including gender diversity and in the case of candidates for the position of INEDs, the NC shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from INEDs.</p> <p>Given the need to find talent which is in high demand, the Board utilises a search strategy consisting of personal relationships, contacts and networks as well as using the service of head-hunters and recommendations from Board members of other public listed companies.</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 4.7

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Scott Russell Balfour, a Non-Independent Non-Executive Director was the Chairman of the NC for financial year ended 2017 ("FY2017") up to 26 February 2018.</p> <p>While the NC Chairman during the financial year was a Non-Executive Director, the majority of the NC member were INEDs. The INEDs exercised their independent judgement during deliberations and helped to ensure impartiality and objective discussions on all NC matters.</p> <p>On 26 February 2018, the Board re-designated Tan Sri Dato' Cecil Wilbert Mohanaraj Abraham, an INED as the Chairman of the NC.</p> <p>The NC composition effective 26 February 2018, is as follows:</p> <ol style="list-style-type: none"> 1) Tan Sri Dato' Cecil Wilbert Mohanaraj Abraham - Chairman (INED) 2) Dato' Ab. Halim Bin Mohyiddin - Member (Senior INED) 3) Mr Scott Russell Balfour - Member (Non-Independent Non-Executive Director)
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>In 2017, the Board had conducted a Board Evaluation Exercise (“BEE”) that involved every Board member.</p> <p>Key focus areas being Board Committees’ compositions, roles and responsibilities, time commitment and contribution of Directors during Board and Board Committees’ meetings. The assessment was conducted via the directors’ evaluation form (self and peer assessment); Board and Board Committee evaluation form; AC evaluation form (including assessments of the External and Internal Auditors); mix of skills and experience of Board Matrix; and declaration of independence and time commitment.</p> <p>The outcome of the BEE was insightful and helped to promote continuous improvement.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In 2017, the Group had yet to formalise a remuneration policy towards talent recruitment and retention. However, the Group's approach is in line with this spirit, given the importance of talent towards the Group's overall business sustainability strategy. Same as in previous years, payment of Directors' fees and benefits shall be approved at a general meeting,</p> <p>At present, in the case of Executive Directors and Senior Management, remuneration is linked to merit i.e. individual and Group performance. The Board deliberates and approves the remuneration of the Executive Directors with the Executive Directors concerned abstaining from deliberations and voting on their own remuneration.</p> <p>In the case of INED, remuneration is a matter for the Board as a whole, with individual Directors abstaining from discussion of his/her own remuneration.</p> <p>As of 26 February 2018, the Board formalised the remuneration policy for Directors and Senior Management. The policy can be viewed at our website www.amway.my.</p>
<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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board does have a Remuneration Committee ("RC") in place. The RC is responsible for establishing the framework and determining the remuneration of the Executive Directors and Non-Executive Directors.</p> <p>The Terms of Reference was revised on 26 February 2018 to include the review of the remuneration policies of Senior Management.</p> <p>Going forward, the Group will be in compliance with Practice 6.2 for the upcoming financial year.</p>	
<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 :	Remuneration of Directors for the financial year ended 31 December 2017 ("FY2017") is as follows:					
	Fees	Salaries and other emoluments	Bonus	Defined Contribution Plan	Allowances	Benefits in-kind
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liu, Ming-Hsiung @ Martin Liou	-	2,367.8	339.7	224.8	54.4	-
Michael Jonathan Duong	-	1,302.9	1,630.9	-	-	272.4
Dato' Ab. Halim Bin Mohyiddin	134.7	-	-	-	5.8	0.1
Tan Sri Faizah Binti Mohd Tahir	63.9	-	-	-	4.0	1.8
Tan Sri Dato' Cecil Wilbert Mohanaraj Abraham	68.7	-	-	-	5.0	-
Dato' Abdullah Thalith Bin Md Thani	68.7	-	-	-	4.5	-
Mohammad Bin Hussin	61.7 *	-	-	-	1.5	-
Low Han Kee	-	-	-	-	-	-
Scott Russell Balfour	-	-	-	-	-	-

	Fees	Salaries and other emoluments	Bonus	Defined Contribution Plan	Allowances	Benefits in-kind
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liu, Ming-Hsiung @ Martin Liou	-	-	-	-	-	-
Michael Jonathan Duong	-	-	-	-	-	-
Dato' Ab. Halim Bin Mohyiddin	134.7	-	-	-	5.8	0.1
Tan Sri Faizah Binti Mohd Tahir	63.9	-	-	-	4.0	1.8
Tan Sri Dato' Cecil Wilbert Mohanaraj Abraham	68.7	-	-	-	5.0	-
Dato' Abdullah Thalith Bin Md Thani	68.7	-	-	-	4.5	-
Mohammad Bin Hussin	61.7 *	-	-	-	1.5	-
Low Han Kee	-	-	-	-	-	-
Scott Russell Balfour	-	-	-	-	-	-
<p>Notes: The Executive Directors did not receive any remunerations from the Company. The Non-Executive Directors did not receive any remunerations from the Company's subsidiaries. *Nominee Director whose Director's fees are paid to Permodalan Nasional Berhad ("PNB").</p>						
Explanation for departure :						
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>						
Measure :						
Timeframe :						

Intended Outcome

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>While the Board is cognisant on the importance of transparency, due to the high competitiveness for professional talent as well as data privacy and personal security concerns, the Board believes that individual disclosure on a named basis for the remuneration of the top five senior management personnel or key senior management ("KSM") positions is not in the best interest of the Group</p> <p>The KSM consists of the Chief Financial Officer, Head of Marketing, Head of Sales, Head of Supply Chain and Senior Manager - Human Resources.</p> <p>The aggregate remuneration paid to KSM for FY2017 is approximately RM1.68 million. This amount does not represent the full year remuneration as the Head of Supply Chain joined the Group in October 2017. The remuneration package is divided into total cash and benefits, which is between market median of 50th percentile to 60th percentile¹. Additional remuneration such as year-end bonuses or performance rewards is based on merit in relation to the achievement of individual KPIs and Group's achievement of specific goals.</p> <p>Amway benchmarks total pay opportunity of employees in similar positions against other employers based on the market in which we compete for talent.</p> <p>The Board believes that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the KSM's remuneration.</p> <p>The profiles of the KSM are set out on page 54 of the 2017 Annual Report.</p> <p>¹ Reference is made to Mercer and Hay's 2017 fast moving consumer goods market data.</p>

<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 7.3 - 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	:	Given that Amway is not categorised as a large company, the Company has not adopted the above Practice for the financial 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 8.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Chairman of the Board, Dato' Ab. Halim Bin Mohyiddin, was the Chairman of the AC during FY2017 up to 26 February 2018. All five (5) AC members are Non-Executive Directors, four (4) of whom are INEDs.</p> <p>Dato' Ab. Halim Bin Mohyiddin, is a member of The Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants (MIA). He also serves as the Chairman of the Education and Training Committee of MICPA. The Company is in compliance with Paragraph 15.09(1)(a), Paragraph 15.09(1)(b) and Paragraph 15.09(1)(c)(i) of the Listing Requirements.</p> <p>Given Dato' Ab Halim's vast expertise and experience coupled with the counsel and guidance of the other three INEDs, the Board is of the view that more than sufficient independent oversight and competence is present within the AC.</p> <p>On 26 February 2018, the Board re-designated Tan Sri Faizah Binti Mohd Tahir, an INED as the AC Chairperson.</p> <p>The AC composition effective 26 February 2018, is as follows:</p> <ol style="list-style-type: none"> 1) Tan Sri Faizah Binti Mohd Tahir - Chairperson (INED) 2) Dato' Ab. Halim Bin Mohyiddin - Member (Senior INED) 3) Dato' Abdullah Thalith Bin Md Thani - Member (INED) 4) Scott Russell Balfour - Member (Non-Independent Non-Executive Director)
<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	:	<p>Although this Practice does not form part of the AC's Terms of Reference, the Board has never appointed any former key audit partner before as a member of its AC.</p> <p>As of 26 February 2018, the Board has approved the revision to the AC Terms of Reference which now includes the requirement that a former key audit partner would need to observe a cooling-off period of at least two years before being appointed as a member of the AC.</p> <p>The revised AC Terms of Reference can be viewed at www.amway.my.</p>	
<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	:	<p>Via the AC Evaluation Form and its Terms of Reference, the AC has defined guidelines to periodically assess the performance of the External Auditors. This includes an annual assessment based on the following:</p> <ul style="list-style-type: none"> • Level of service, independence and level of non-audit services rendered by them; • Quality and scope of the planning of the audit; • Quality and timeliness of reports furnished to the AC; • Level of understanding demonstrated of the Group's business; and • Communication to the AC about new and applicable accounting practices and auditing standards and the impact to the Company's and Group's financial statements. <p>The Company had in place a policy on non-audit services provided by External Auditors.</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	:	Given that Amway is not categorised as a large company, the Company has not adopted the above Practice for the financial 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 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors including those on the AC continue to undergo training periodically during the financial year, based on individual learning requirements as well as to stay abreast of financial or corporate developments.</p> <p>The AC members were briefed by Messrs Ernst & Young on the following areas during AC meetings held in FY2017:</p> <ul style="list-style-type: none"> • Financial Reporting Developments: Amended Malaysian Financial Reporting Standards ("MFRSs") and IC Interpretation • Financial Reporting Developments: New MFRSs issued but not yet effective; and • Changes in regulatory environment: Companies Act 2016. 	
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 Group adopts an Enterprise Risk Management (“ERM”) framework which embeds risk management process in its practices and processes. The framework encompasses a comprehensive process of identifying, evaluating and managing the material risks.</p> <p>For further information, please refer to the Statement on Risk Management and Internal Control on pages 84 to 87 of the 2017 Annual Report.</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 ERM framework includes a risk management process which is ongoing and results in the compilation of a Corporate Risk Register with specific risk profile and action plans for mitigating identified risks. The level of risk tolerance of the Group is expressed through the use of a risk impact and likelihood matrix. Responses to this impact and probabilities are then taken and documented by the RMC. For further information, please refer to the Audit Committee Report on pages 80 to 81 and Statement on Risk Management and Internal Control on pages 84 to 87 of the 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	:	Given that Amway is not categorised as a large company, the Company has not adopted the above Practice for the financial year.

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 has an independent internal audit function provided by external professional firm, Deloitte Enterprise Risk Services Sdn. Bhd. ("DERS").</p> <p>DERS provides assurance to the AC through the execution of internal audit functions based on an approved risk based internal audit plan. Observations from these audits are presented, together with Management's response and proposed action plans, to the AC for its review. The internal audit function also follows up and reports to the AC the status of implementation by Management on the recommendations highlighted in the internal audit reports.</p> <p>During the financial year under review, the internal audit function conducted four (4) internal audit cycles. Further details of the activities of the internal audit function are provided in the Audit Committee Report on pages 79 and 80 of the 2017 Annual Report.</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	:	<p>The Group outsourced its internal audit function to an external professional firm, DERS. The DERS team of 10 is headed by Ms. Cheryl Khor; a certified public accountant with vast experiences in the areas of financial and operational audits covering internal audits, quality assurance reviews, business process reviews, risk management and corporate governance reviews for public listed companies.</p> <p>Further details of the internal audit function are provided in the Audit Committee Report on pages 79 to 80 of the 2017 Annual Report.</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 11.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has initiated various means for communication and dissemination of accurate information on a timely basis, including two-way communication towards initiating feedback and queries from stakeholders.</p> <p>In FY2017, the Group has engaged in investor relations, community relations, media relations and other communication activities.</p> <p>Communication initiatives include sharing the Group's quarterly interim performance and full year financial results which are disclosed to regulatory authorities and the media as well as on our website www.amway.my.</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	:	Given that Amway is not categorised as a large company, the Company has not adopted the above Practice for the financial year.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	<p>Our 2016 Annual Report was issued prior to the release of the MCCG. We fulfilled the minimum days of the Notice of Annual General Meeting as required by the Listing Requirements.</p> <p>Our 2017 Annual Report which is released on 16 April 2018 is distributed 29 days in advance ensuring compliance with Practice 12.1.</p>	
Explanation for departure			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>Encik Mohamad Bin Hussin was not able to attend the AGM on 17 May 2017 due to an emergency meeting called on the same day.</p> <p>However, all other Directors attended the AGM. The Chairmen of the Board Committees were also present to address relevant questions.</p> <p>To ensure compliance to Practice 12.2 of the MCCG, the Company Secretaries will continue to provide the meeting dates one (1) year in advance.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	Shareholders who are unable to attend the AGM in person have the right to appoint proxy(ies) to attend, vote and speak in his/her stead provided that the instrument appointing a proxy has been deposited at Share Registrar’s office not less than 48 hours before the AGM. In addition, the AGM is held at a central and easily accessible location to ensure ease of attendance for shareholders.	
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	:		

COMPLIANCE STATEMENT

This Statement is made in accordance with a resolution of the Board of Directors dated 28 March 2018.