

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7047
COMPANY NAME : FAJARBARU BUILDER GROUP BHD
FINANCIAL YEAR : 30 JUNE 2018

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 :	<ul style="list-style-type: none">• The Board of Directors ("Board") has established clear roles and responsibilities in discharging its fiduciary and leadership functions as well as sustains long-term shareholder value while safeguarding the interests of the stakeholders. The roles and responsibilities of the Board are set out in the Board Charter, which is available on the Company's website at www.fajarbaru.com.my.• The Board is responsible for the oversight of the overall management of the Company and retains full and effective control over the affairs of the Company. It reviews the policies and strategies of the group companies of Fajarbaru, actively oversees the conduct, management and business affairs of the Company, and monitors its Senior Management's performance.• The Board and employees are committed to adhere to the Code of Conduct and Ethics.• The Executive Directors formulate the strategic vision and business direction for all the Company's business units.• The Board adopts the core values of integrity and professionalism in its corporate culture within the organisation.• The Independent Non-Executive Directors provide objective and independent judgement to the decision making of the Board which provides an effective check and balance to the Board's decision-making process.• The Board has also put in place the Risk Management and Internal Control framework in identifying and managing business risks impacting the achievement of the business objectives of the Group

	<ul style="list-style-type: none"> • The roles and responsibilities of the Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee delegated by the Board are set out in the respective Board Committees’ Terms of Reference, copies of which are publicly made available on the Company’s website at www.fajarbaru.com.my. • The Board and employees of the Group are committed to adhere to the Code of Conduct and Ethics, which is available on the Company’s website at www.fajarbaru.com.my. • The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company and its subsidiaries. • The Company’s sustainability strategies are as stipulated in the Sustainability Statement which provides a more insightful view into the Company’s initiatives to deliver balanced growth in a responsible and sustainable manner. • The Board is a synergy of dynamic and experienced individuals from various sectors which reflect many years’ experience in construction, property development, logging, trading, logistics, financial, legal and corporate affairs. The profiles of the members of the Board are set out in the Annual Report. • The Board had delegated to the Group Executive Director (“GED”) and his management team the day to day management of the Group. • The Group Executive Director, Dato’ Sri Kuan Khian Leng, and his management team are responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by 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

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	:	<ul style="list-style-type: none"> • The Chairman is appointed by the Board. • The Company has a clear distinction and separation of roles between the Chairman and the Group ED, with clear division of responsibilities. The Board of Directors is headed by Dato' Ir Low Keng Kok, an independent non-executive chairman, who has broad exposure and extensive experience in the construction and property industry. • The Chairman is responsible for the leadership and management of the Board and ensuring the Board and Board Committees function effectively. He oversees and evaluate the conduct and performance of the Group and undertake to ensure efficient functioning of the Board and that procedural rules are followed and relevant information for decision-making is delivered to Board members on a timely basis. • The Chairman presides over Board and shareholders' meetings. He leads the discussions at Board meetings and ensures that relevant matters are included in the meeting agenda, sufficient time is allocated for discussions and the meetings run smoothly.
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	:	<ul style="list-style-type: none"> • There is clear segregation of responsibilities between the Chairman and Chief Executive Officer (“CEO”) / Group Executive Director (“GED”), held by two different individuals, to promote accountability and ensure a balance of power and authority. • The Chairman leads the Board in the oversight of management ensuring the integrity of governance process. The CEO / GED, supported by Senior Management team, implements the Group’s strategic plan, policies and decision adopted by the Board and oversees the operations of the Group. • There are no family relationship between them. • The Chairman is an Independent Non-Executive Director.
Explanation for departure	:	The Company has yet to appoint a CEO.
		The GED is responsible for implementing the Group’s policies, business plans and executive decision making and leads the discussion at Board level. The GED is assisted by the Senior Management 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	:	
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	: <ul style="list-style-type: none">• The Board is supported by two (2) professionally qualified Company Secretaries, namely Mr. Tan Kok Aun (MACS 01564) and Ms. Wong Wai Yin (MAICSA 7003000), who individually has more than twenty (20) years of corporate secretarial experience. Both Company Secretaries have the requisite credentials and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.• The Company Secretaries play an important advisory role and is a source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group. The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.• The Board is regularly updated and apprised by the Company Secretaries on new regulations issued by the regulatory authorities. The Company Secretaries also serve notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares. The Company Secretaries attend and ensure that all Board Meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.• The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board.• During the financial year ended 30 June 2018, the Company Secretaries have briefed the Board on the following updates in regulations and laws:-<ol style="list-style-type: none">a) Enforcement of the new Companies Act 2016 ("CA 2016") effective 31 January 2017 and the key changes arising thereof;b) Changes to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad arising from the new CA 2016;

	<p>c) New Malaysian Code of Corporate Governance which was released on 26 April 2017;</p> <p>d) Bursa Issuers Communication No. 1/2017 – Guidance on Disclosure in Notes to Quarterly Report;</p> <p>e) SSM Practice Directive No. 3/2017 – Qualifying Criteria for Audit Exemption for certain categories of Private Companies;</p> <p>f) Bursa Issuers Communication No. 2/2017 – Bursa Malaysia’s Enforcement/Disciplinary Proceeding and Process.</p> <p>g) SSM Best Business Practice Circular 6/2017 on Business Review Report – Disclosure and Reporting Guide</p> <ul style="list-style-type: none"> • The appointment and removal of the Company Secretary must be approved by 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

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	:	<ul style="list-style-type: none"> • All the Directors are provided with a set of Board papers consisting of the agenda and all other relevant materials seven (7) days prior to the Board Meetings or Committee Meetings or any other time frame agreed with the Board when necessary, to ensure that the Directors receive sufficient relevant information in a timely manner for their detailed review and consideration so as to enable them to participate effectively in the Board's decisions. • Board papers are comprehensively prepared covering aspects such as Group financial performance, business plans and proposals, quarterly result announcements, proposed policies and procedures, operational and risk management issues and updates on statutory regulations and requirements affecting the Group. • The minutes of each Board and Committee Meeting(s) are circulated to all Directors for their perusal prior to confirmation of the minutes at the respective meetings. Upon confirmation by the Board, the minutes would be kept in the Minutes Book.
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	:	<ul style="list-style-type: none"> • The Company has adopted the Board Charter and it is subject to regularly review by the Board to ensure it remains consistent with the Board's objectives, responsibilities and the relevant standards of corporate governance. • The Board also delegates certain responsibilities to the Board Committees, all of whom operate within their defined terms of reference. Notwithstanding this, the Board remains responsible for its fiduciary duties. • The Board will review the Board Charter periodically and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities to ensure its effectiveness. The Board Charter and terms of reference of the Board Committees can be viewed at the Company's website at www.fajarbaru.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<ul style="list-style-type: none"> The Board has formalised a Code of Conduct and Ethics ("Code"), which sets out the standard of conduct expected of Directors and Employees, with the aim to cultivate good ethical conduct that permeates throughout the Group through transparency, integrity and accountability. The Code sets out the ethical, business and lawful conduct of the Board, which describes the standards of business conduct and ethical behaviour for Directors and Employees in the performance of their duties as Directors and Employees of the Company or when representing 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

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 :	<ul style="list-style-type: none"> • In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Board has established the Whistle-Blowing Policy to enable whistle-blowers to raise concerns in confidence, and to ensure proportionate and independent investigation is duly conducted and follow-up action is taken and brought to the attention of the Audit Committee. • The Whistle-Blowing Policy aims to provide an avenue for all employees and external parties to raise concerns about possible improprieties, suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, unethical or illegal activities within the Group. • All details pertaining to the name and position of the whistle-blower will be kept strictly confidential throughout the investigation proceedings. • The Whistle-Blowing Policy can be found on the Company's website at www.fajarbaru.com.my. • During the financial year 2018, the Chairman of the Audit Committee did not receive any whistleblowing 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

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> At the end of the financial year, the Board has 4 out of the total 6 Directors of Independent Non-Executive Directors, which fulfil the requirement of MCCG 2017 to have at least half of the board comprising of independent directors and in compliance with the requirements by the MMLR of Bursa Securities of having at least one third (1/3) of Independent Non-Executive Directors. The Board currently has six (6) members comprising five (5) Non-Executive Directors and one (1) Executive Director. The Board is made up of an Independent Non-Executive Chairman, an Executive Director, a Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• As recommended by the MCGG 2017, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought. The Board believes that valuable contributions can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board, notwithstanding their tenure on the Board.• The Board believes that the independent directors' experience in their own respective fields contributes immensely to the Company. The Board is also unanimous in its opinion that these independent directors independence has not been impaired or compromised. Hence, the Board resolves to seek the shareholders' approval for them to continue serving as independent directors of the Company.• Mr. Foong Kuan Ming has served the Board for more than 20 years. Annual shareholders' approval were obtained for Mr. Foong to continue to act as an Independent Non-Executive Director of the Company since November 1998. During his tenure, Mr. Foong has continued to exercise his independence and carried out his professional duties in the best interest of the Company.• Therefore, the Board would recommend to the shareholders for approval at the forthcoming 24th Annual General Meeting

	<p>(“AGM”) through two-tier voting process for the retention of Mr. Foong as the Independent Non-Executive Director.</p> <ul style="list-style-type: none"> • The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be assessed solely by tenure of service or any pre-determined age. The Board has recommended Mr. Foong to continue to act as an Independent Non-Executive Director based on the following justifications: <ul style="list-style-type: none"> a) He has fulfilled the criteria under the definition of an Independent Director as stated in the MMLR of Bursa Malaysia. b) He has vast experience in a diverse range of businesses and legal matters and therefore would be able to contribute constructive opinions; he exercises independent judgment and has the ability to act in the best interest of the Company. c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision-making. d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders. e) He has shown great integrity of independence and has not entered into any personal related party transaction with 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

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	:		
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 4.4

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	:	<ul style="list-style-type: none"> • The Board is committed to ensuring diversity in its composition and acknowledge that adopting a diverse Board would bring value-adding impact on the Company. • While the Board affirms the importance of boardroom diversity, the appointments to the Board has always been based on merit. • The Nomination Committee is responsible for reviewed and assessed the mix of skills, expertise, composition, size, experience and effectiveness of the Board and its Committees. • This process ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company while it determines the skills matrix needed to support the strategic direction and needs of the Company. • The Nomination Committee assess the suitability of candidates for appointment as directors prior to the recommendation to the Board. The Nomination Committee shall evaluate the candidates on the aspects of their skills, knowledge, expertise and experience, professionalism and integrity. For position of independent director, the candidate’s ability to discharge such responsibilities/ functions independently as expected from an Independent Director. • The Board also supports gender diversity with one (1) female Director on the Board.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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	:	<ul style="list-style-type: none"> • The Board acknowledges the importance of boardroom diversity and the recommendation of the MCCG pertaining to the establishment of a gender diversity policy. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender. • The Board currently has one (1) female Director on the Board, namely Dato' Lim Siew Mei, thus providing the Board with gender diversity that serves to bring value to Board discussions from different perspectives. 	
<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	:	<ul style="list-style-type: none"> • In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence. • Nomination Committee will recommend to the Board if the proposed candidate is found to be suitable. This includes recommendation for appointment as a member of the various Board committees, where necessary. • In identifying candidates for appointment of directors, besides recommendation from existing Board members, Senior Management or major shareholders of the Company, the Board may seek for external and independent sources to identify suitable and qualified candidates. • During the financial year, there was an appointment of Non Independent Non-Executive Director, Dato' Lim Siew Mei, who was on board on 1 March 2018.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> The Nomination Committee comprises of three (3) Independent Non-Executive Directors with Mr. Foong Kuan Ming as its Chairman; and Dato' Ismail bin Haji Omar and Mr. Ooi Leng Chooi as its members. The Nomination Committee is responsible for assessing the performance of the existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors. It assists the Board in reviewing on an annual basis the overall composition, appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee members. All recommendations of the Nomination Committee are subject to the endorsement 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

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	:	<ul style="list-style-type: none"> • The Board through its Nomination Committee carries out annual assessment on the effectiveness of the Board as a whole, the Board Committees and contribution of each individual director. In addition, the Nomination Committee also review annually the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference. • The Nomination Committee conducted its annual evaluation and appraisal on the effectiveness of the Board, its Committees and the contribution of each director. The evaluation comprised assessment by individual directors and assessment of independence of independent directors. The assessment of individual director is based on specific criteria, covering areas such as Board composition and structure, principal responsibilities of the Board, the Board process and Board governance. • The Board also undertaken an annual assessment of the independence of the Independent Directors via disclosed interests and the criteria for assessing their independence developed by the Nomination Committee and adopted by the Board. • Key findings are set out in the Statement of Corporate Governance in the 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

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board has in place the policies and procedures to determine the remuneration for Directors and senior management which is reviewed from time to time to take into account the needs of the business and market practices. • Both Nomination & Remuneration Committee ("NRC") also reviews the remuneration of the Board and Senior Management from time to time with a view to ensuring the company offers fair compensation and is able to attract and retain talent who can add value to the Company. • The remuneration for the Non-Executive Directors comprise directors' fees and meeting allowances have been reviewed by the Company's NRC and the Board, thereafter, recommends to the shareholders for approval. • The remuneration structure of the Executive Directors and Non-Executive Directors are disclosed under the Statement of Corporate Governance in the Company's Annual Report.
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

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> The Remuneration Committee comprises of two (2) Independent Non-Executive Directors and one (1) Executive Director with Dato' Ir. Low Keng Kok as its Chairman; and Dato' Sri Kuan Khian Leng and Mr. Foong Kuan Ming as its members. The Remuneration Committee is responsible for setting the policy framework and makes recommendation to the Board on all elements of remuneration and terms of employment of Executive Directors and senior management. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration. Senior Management's remuneration has been delegated for approval by the Executive Directors of the Board instead of the Remuneration Committee as the Executive Directors are involved in the operations of the business and hence, have a better understanding of the market practices relating to the remuneration of Senior Management staff.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Directors' remuneration package is reviewed periodically to support long-term sustainability and shareholder value, consistent with Fajarbaru's business strategy. • Detailed disclosure on named basis in respect of the individual directors' remuneration package including fees, salaries, bonuses and estimated value of benefits-in-kind are disclosed under Statement of Corporate Governance of the Company's Annual Report.
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 :	<ul style="list-style-type: none"> • After careful and in-depth consideration, the Board is of the opinion that the disclosure of the said remuneration is on aggregate basis and in bands instead of in named basis as the Board is of the opinion that the disclosure of the Senior Management's individual remuneration components (salary, bonus, benefits in-kind and other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns and to support the Group's efforts to attract and retain executives. This will be detrimental to the Group as this will facilitate the opportunity of prospective employers to approach the Group's top senior management employees considering the dearth of such persons with a particular skill and also importantly such disclosure will expose them to personal security risks. • Alternatively to this practice, the Company is disclosing on a no-named basis the Group's top senior management employees by band of RM50,000 and the components of remuneration under the Statement of Corporate Governance of the Company's Annual Report. 	
<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	:		
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 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Audit Committee is led by an Independent Non-Executive Director who is not the Chairman of the Board.• The Audit Committee is chaired by an Independent Director, namely Mr. Foong Kuan Ming, who is distinct from the Chairman of the Board.• Dato' Ir. Low Keng Kok is the Chairman of the Board of Fajarbaru Builder Group Bhd.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • In the current Board composition, there is no former key audit partner serving as member of the Audit Committee of the Company. • The Terms of Reference of Audit Committee provides that In the event of a proposal to appoint a former key audit partner of the external auditors as a member of the Audit Committee, the Company has to ensure that such former key audit partner has observed a cooling-off period of at least two years from his/her last engagement as external audit partner for 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

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	:	<ul style="list-style-type: none"> • The Board has adopted an Auditors Independence Policy which stipulates the guidelines and procedures to be followed by the Audit Committee in reviewing, assessing and monitoring the suitability, independence and performance of the External Auditors, Messrs Crowe Malaysia. • The Audit Committee is responsible for the annual assessment of the competency and independence of the external auditors. Having assessed their performance, the Audit Committee will recommend their re-appointment to the Board, who will then seek the shareholders' approval at the AGM. • The Group adopted a policy of five (5) years rotation of External Auditors to enhance objectivity and independence. For the year under review, after taking into consideration of the audit performed by the external auditors and also the changes in the accounting standards, the Board decided to extend the services of the current external auditor for another rotation.
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

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	:	Applied
Explanation on adoption of the practice	:	<ul style="list-style-type: none">The Audit Committee comprises of three (3) Independent Non-Executive Directors with Mr. Foong Kuan Ming as its Chairman; and Dato' Ismail bin Haji Omar and Mr. Ooi Leng Chooi as its members.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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	:	<ul style="list-style-type: none"> • The members of the Audit Committee has the relevant accounting knowledge and their experience and qualifications are disclosed in the Board of Directors' profile in the Annual Report. • The Chairman of the Audit Committee, M. Foong Kuan Ming, is a Lawyer by profession. • Besides, during the Audit Committee meetings, all the members were updated by the external auditors, Messrs Crowe Malaysia, on the key areas of Financial Reporting developments, adoption of Malaysian Financial Reporting Standards, Malaysian Code on Corporate Governance and other changes in regulatory environment.
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	:	<ul style="list-style-type: none"> • The Board has established a comprehensive framework for risk management and a sound internal control system. The Group’s Risk Management Committee oversees its business risk management, review and approves actions developed to mitigate key risks and advising the Board on risk related issues. In addition, it also provides direction and counsel to the risk management process as well as involves in the evaluation of the structure for the Group’s risk management processes and support system. • The Board has also established an internal audit function by setting up an Internal Audit Department (“IAD”) within the Group. The IAD assists the Audit Committee in reviewing, evaluating and monitoring the effectiveness of the Group’s governance, risk management and internal control processes. • Further information on the Group’s risk management and internal control framework is made available on the Statement on Risk Management and Internal Control of the Annual Report 2018.
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	:	<ul style="list-style-type: none"> • Details of the feature of risk management and internal control framework, which include the governance and processes of the risk are disclosed in the Company's Annual Report under the Risk Management and Internal Control Statement. • The Board recognises that the framework is designed to mitigate rather than to eliminate risks or event with significant adverse impact on the achievement of the Group's objectives and strategies. As such, it provides reasonable but not absolute assurance against material financial misstatement and management information and records, or against financial losses or fraud. • The Group continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments. • During the financial year under review, internal control and risk related matters which warranted the attention of the Board, were highlighted in the half-yearly RMC meeting and quarterly Audit Committee meeting to 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

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	:	Applied
Explanation on adoption of the practice	:	<ul style="list-style-type: none"> The Risk Management Committee ("RMC") comprises of three (3) Independent Non-Executive Directors with Mr. Ooi Leng Chooi as its Chairman; and Dato' Ismail bin Haji Omar and Mr. Foong Kuan Ming as its members. The Board has established the RMC together with senior management to oversee the Company's risk management framework and to maintain and review its internal control procedures.
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 10.1

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	:	<ul style="list-style-type: none"> • The Internal Audit function is an integral part of the assurance framework and it is performed in-house and undertaken by Internal Audit Department (“IAD”). The mission of IAD is to enhance and protect the Company and its Group’s organisational value by providing risk-based and objective assurance, advice and insight. IAD helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. • To ensure that the responsibilities of IAD are fully discharged, the Audit Committee reviews annually the adequacy of the scope, function and resources of the IA. The IAD staff kept themselves up to date with developments in the profession by attending seminars and training workshops. • The Internal Auditor reports to the Audit Committee which approves its Audit Plan and the Internal Auditor provides independent and objective reports on the Organisation via Audit Reports as well as make the necessary recommendations to management on improvements to be made on processes and internal controls of the Company. • The Internal Audit reports directly to the Audit Committee. The Audit Committee approves the Internal Audit’s annual plan, monitors the progress of the completion of the Audit plan, as disclosed in the Audit Committee Report in the Annual Report 2018.
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

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	:	<ul style="list-style-type: none"> • The Internal Auditor is free from any relationships or conflict of interest which could impair his/her objectivity and independence. • A statement on the Internal Audit function with the required disclosure is available under the Audit Committee Report in the Company's Annual Report. • A brief statement on the internal audit function and summary of key activities are disclosed under Audit Committee Report and Statement on Risk Management and Internal Control of the Company's 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	:	<ul style="list-style-type: none">The Board adheres strictly to the Bursa Securities' disclosure framework to provide investors and the public with accurate and complete information on a timely basis. The Board ensures that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information. The Board is also mindful that information which is expected to be material must be announced immediately.
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	:	Not Adopted
Explanation on application of the practice	:	
Explanation for departure	:	Not applicable as the Company is not a large Company as defined by the Malaysian Code on Corporate Governance 2017.
		The Company intends to gradually move towards a more integrated approach of reporting from its existing reporting structure.
<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	:	<ul style="list-style-type: none"> • In line with the MCCG 2017, the Company will adhere to this recommended practice at the forthcoming Annual General Meeting (AGM) to be held in year 2018. • The Company endeavours to issue the Notice of our AGM at least 28 days prior to the meeting to accord sufficient time to our shareholders to prepare for the meeting and make informed voting decisions. • In respect of our Twenty-Fourth AGM scheduled on 7 December 2018, the Notice of AGM and Annual Report 2018 were issued on 30 October 2018 giving our shareholders notice of at least 28 days prior to the meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> All Board members are aware of their duty to attend at all General Meetings of the Company. Barring unforeseen circumstances, all Board members will attend all General Meetings of the Company. The Chairman of the Audit, Nomination, Risk Management and Remuneration Committees provide meaningful responses to questions addressed. The Senior Management Team are present to respond to the shareholders' questions during the general meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<ul style="list-style-type: none"> • The Company's shareholders are entitled to appoint corporate representatives or proxy(s) to attend, speak and vote on their behalf in their absence at the Company's Annual General Meetings ("AGM"). • Due to the Company having a relatively small number of shareholders and that the Company's AGM are not held in remote areas, voting in absentia and remote shareholders' participation are not facilitated as advocated in MCCG's Practice 12.3. • The Company always takes into consideration the convenience and accessibility of the location before fixing the venue of its shareholders' meeting. The Company's AGM has always been held at its office premise located within the Klang Valley. • The poll voting result of all the resolutions tabled in the AGM will published at the Bursa Securities' and the Company's websites at www.bursamalaysia.com and www.fajarbaru.com.my respectively and it is accessible by public.
<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	:	

**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.

Not applicable
