

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5279  
**COMPANY NAME** : Serba Dinamik Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2019

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### **Intended Outcome**

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

### **Practice 1.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to high standards of corporate governance and strives to ensure that it is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group.</p> <p>In addition, the Board is collectively responsible in promoting success of the Group in building an enduring and profitable business admired by customers and stakeholders whilst achieving strong returns for shareholders.</p> <p>The duties, powers and functions of the Board are governed by the Constitution of the Group, the Companies Act 2016, Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and other regulatory guidelines and requirements that are in force.</p> <p>To ensure effective discharge of its functions, the Board entrusted on following responsibilities:</p> <ul style="list-style-type: none"><li>(a) to review, challenge, approve and monitor strategic business plan, which includes overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;</li><li>(b) to oversee conduct and performance of businesses and to determine whether the businesses are being properly managed;</li><li>(c) to identify principal risks and ensuring implementation of appropriate internal controls and risks mitigation to effectively monitor and manage these risks;</li><li>(d) To prepare for succession planning, including appointing, training, fixing remuneration of, and where appropriate, replacing senior management;</li></ul>

	<p>(e) to oversee development and implementation of a shareholder communication policy for the Group;</p> <p>(f) to review adequacy and integrity of management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines; and</p> <p>(g) to ensure that appropriate policies are in place, adopted effectively and are regularly reviewed in light of changing circumstances.</p> <p>The Board also acknowledges importance of following:</p> <ul style="list-style-type: none"> <li>• Maintaining a sound system of internal control and a robust risk management practice for good corporate governance with objective of safeguarding shareholder's investment and the Group's assets.</li> </ul> <p>For this purpose, the Board has adopted a Risk Governance Framework; and</p> <ul style="list-style-type: none"> <li>• The need for effective Investor Relations and Communications with shareholders and to provide them with all relevant information affecting the Group.</li> </ul> <p>The Board has established a number of Board Committees as follows:</p> <p>a) Audit &amp; Risk Committee ("ARC");</p> <p>b) Nomination &amp; Remuneration Committee ("NRC"); and</p> <p>c) Investment Committee ("IC").</p> <p>In discharging its duties and roles effectively, the Board is guided by the Board Charter, which defined principles and guidelines that are to be applied by the Board, whilst the Board Committees are guided by its respective terms of reference.</p> <p>The Board Charter and the Terms of Reference for each Board Committee are accessible at the Group's website, and are subject for review from time to time to ensure that it is remain relevant and are up-to-date.</p> <p>The Chairman of these various Board Committees will report to the Board the outcomes of the meetings.</p> <p>Further to the above, the Group has adopted the Code of Conduct for directors &amp; employees that seeks to ensure that they will acts ethically in performing work or services for the Group.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles and responsibilities of Chairman of the Board were clearly specified in the Board Charter.</p> <p>The Chairman of the Board is an Independent Non - Executive Director who is primarily responsible for orderly conduct and function of the Board and shall ensure its effectiveness on all aspects of its roles.</p> <p>In addition, the Chairman is responsible for representing the Board to shareholders and is responsible for ensuring integrity and effectiveness of governance process of the Group.</p> <p>The Chairman of the Board shall also act as Chairman at general meetings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The distinct and separate roles and responsibilities of the Chairman and Group Chief Executive Officer / Managing Director ("GCEO/MD") were defined in the Board Charter.</p> <p>The Board practices a clear demarcation of duties and responsibilities between the Chairman and GCEO/MD to ensure a balance of power and authority in the Board.</p> <p>To reflect the above, positions of Chairman and GCEO/MD are held by 2 different individuals.</p> <p>The Chairman, Dato' Mohamed Nor Abu Bakar holds position as an Independent Non-Executive Director, whilst GCEO/MD is Dato' Dr. Ir. Mohd Abdul Karim Abdullah which holds position as a Non-Independent Executive Director.</p> <p>The Chairman is primarily responsible for stewardship and smooth functioning of the Board, whilst the GCEO/MD is responsible for overall operations of business, organizational effectiveness and implementation of the Group's strategies and policies.</p> <p>The GCEO/MD also manages respective responsibilities of divisions, departments and units within the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretaries are qualified and competent to act pursuant to Section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board, particularly with regards to the Constitution of the Group, Board policies and procedures and the Group's compliance with regulatory requirements, codes, guidance and legislation.</p> <p>The Company Secretaries ensure that discussions and deliberations at Board and Board Committee meetings are well documented.</p> <p>The Company Secretaries constantly keep themselves abreast of evolving capital market environment, regulatory changes and developments in corporate governance through continuous training.</p> <p>The Board is satisfied with performance and support rendered by the Company Secretaries to the Board in discharging their functions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board met at least quarterly with additional meetings convened as and when necessary.</p> <p>The Board, Board Committees and General Meeting for the year under review were scheduled in advance to facilitate Directors in planning ahead and incorporating the said meetings into their respective schedules.</p> <p>Notice of the Board and Board Committees meetings were sent to Directors via e-mail at least 7 days prior to the respective meeting.</p> <p>Agenda and papers encompassing comprehensive qualitative and quantitative information which include objectives, background, critical issues, implications, risks, strategic fit, recommendations and other pertinent information are circulated to Directors to enable an informed decision making by the Board.</p> <p>The papers were circulated to all Directors at least 5 business days prior to each Board meeting.</p> <p>This enables Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretaries before each meeting.</p> <p>Any Director may request matters to be included in the agenda.</p> <p>Urgent papers may be presented and tabled at meetings under the item "Any Other Matters".</p> <p>Presentations and briefings by the Management and relevant external consultants, where applicable, were also held at Board meetings to advise the Board.</p> <p>In this regard, relevant information is furnished and clarifications are given to assist the Board in making a decision.</p> <p>All proceedings of Board and Board Committees meetings were duly recorded in minutes of each meeting and the signed minutes of each meeting are properly kept by the Company Secretaries.</p> <p>Minutes of the meetings are tabled for confirmation at the next meeting.</p>



	The Company Secretaries will communicate to relevant Management the Board's decisions / recommendations via circulation of minutes of meetings or its excerpt, for appropriate actions to be taken.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter and Terms of Reference of its Board Committees, which are subject for review upon changes of relevant laws &amp; regulations, and it is published on the Group's website, and clearly identify:</p> <ul style="list-style-type: none"> <li>• Respective roles and responsibilities of the Board, Board Committees, individual directors and management; and</li> <li>• issues and decisions reserved for the Board.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has adopted the Code of Conduct for directors &amp; employees that seeks to ensure that they will perform work or services for the Group in ethical.</p> <p>The Code of Conduct is published on the Group's website.</p> <p>The Code of Conduct places significant importance in upholding principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to success and wellbeing of the Group.</p> <p>The Code of Conduct detailed policy statements on the standards of behavior and ethical conduct expected of each individual to whom it applies.</p> <p>The Code of Conduct expressly prohibits improper solicitation, bribery, insider trading, money laundering and other corrupt activity by employees and directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has approved Whistle-Blower Policy.</p> <p>The Whistle-Blower Policy is intended to directly support the Group's Core Values, Code of Ethics and Governance requirement.</p> <p>Under the Whistle-Blower Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable.</p> <p>Disclosure of information should initially and promptly be made by the Whistle-Blower to 1 or more designated independence personnel and / or independent directors of the Group.</p> <p>An employee who whistle blows internally will also be protected against any adverse and detrimental action for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith.</p> <p>Such protection is accorded even if the investigation later reveals that the whistle blower is mistaken as to the facts and the rules and procedures involved.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board currently has 5 Independent Directors which is equivalent to 63% of the composition of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	In line with the exemplary practice as recommended by the Malaysian Code on Corporate Governance 2017, the Board has adopted a policy which limits the tenure of its independent directors to 9 years, as prescribed in its Board Charter.

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The areas of the expertise and experience of Board and Senior Management covers of Engineering, Finance and Legal.</p> <p>All potential candidates are first considered by the Nomination &amp; Remuneration Committee (“NRC”), taking into consideration mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively discharge his or her role.</p> <p>Diversity in terms of age, gender and ethnicity are also considered during the selection process.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board composition is supported by two (2) women directors which are Independent Non-Executive Directors, Sharifah Irina Syed Ahmad Radzi and Rozilawati Hj Basir, equivalent at 25% of board composition, increased from 14% in Financial Year 2018.</p> <p>The Board has delegated to Nomination &amp; Remuneration Committee ("NRC") to source &amp; to recommend on potential another woman director candidate to the Board, with no specific time frame was allocated.</p> <p>The Board is in opinion that the appointment of new director, regardless of gender, shall be made in prudence, in view of fulfilment of certain criteria, objective and merit, and couple with extensive required skills &amp; experience, to ensure that the Group can secure maximum benefit from such appointment.</p> <p>Based on the above shown result &amp; commitment, the Board has considered that Practice 4.5 is applied.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board uses a variety of sources for identification of suitable candidates of directors.</p> <p>Pursuant to NRC's Terms of Reference, NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent advice whenever necessary.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of NRC is an Independent Non-Executive Director, Tengku Dato' Seri Hasmuiddin Tengku Othman.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director.</p> <p>The Board has engaged Tricor Services (Malaysia) Sdn. Bhd. as independent expert to facilitate objective and board evaluations.</p> <p>It was conducted internally upon completion of the financial year and comprise of Board Evaluation.</p> <p>It is designed to increase the Board's effectiveness and efficiency as well as to draw the Board's attention to key areas that need to be addressed in order to maintain consistency of the Board's performance regardless of its diversity.</p> <p>The assessment questionnaire is distributed to all respective Board members and covers topics such as the contribution and performance of Directors with regards to their competency, time commitment, integrity and experience in meeting the needs of the Group and suggestions to enhance board effectiveness.</p> <p>Based on the results of the assessment made, the Board was satisfied with the Board effectiveness, the performance of the Board Committees and individual Directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledged the non - application of Practice 6.1 and has agreed for the Group to formalize policies and procedures to determine the remuneration of directors and senior management with no specific timeframe was allocated.</p> <p>Nevertheless, the Group has undertaken a review on the current Non - Executive Directors' remuneration and a benchmarking exercise was executed against selected companies in Malaysia.</p> <p>For Senior Management, NRC has a designated role as defined in its Terms of Reference to determine the remuneration.</p> <p>The Remuneration and Nomination Committee will recommend fees and other benefits of non-executive directors for shareholders approval at the annual general meeting.</p> <p>Although the policies and procedures are not formalised neither it was published on the Group's website, the information about the remuneration is disclosed in the Corporate Governance Overview Statement of the Annual Report 2019, which is disclosed in the Group's website.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Directors' Remuneration Framework & Senior Management Remuneration Framework will be crafted and finalised and shall be uploaded to the Group's website.
<b>Timeframe</b>	:	Within 1 year

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has a combined Nomination &amp; Remuneration Committee ("NRC").</p> <p>Nevertheless, the authority and duties as well as functions are clearly segregated and defined in the Terms of Reference as disclosed in the Group's website.</p> <p>Among others, the NRC is responsible to recommend general remuneration policy, framework and structure of the Group, the directors, the GCEO/MD and the Chief Level Officers as well as to review any changes to the same as and when necessary.</p> <p>The NRC may obtain independent professional advice and any other information necessary in determining the framework.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual directors are defined in the Corporate Governance Overview Statement of the Annual Report 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There are 2 Top Senior Management of the Group consists of 1 Non-Independent Executive Director and 1 Group Chief Financial Officer ("GCFO").</p> <p>The remuneration of the Non-Independent Executive Director is disclosed in the Group's Annual Report for 2019.</p> <p>The remuneration of GCFO inclusive of paid salary, bonus, benefits in-kind and other emoluments range from RM700,000 to RM750,000.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### 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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Detail of Annual Remuneration of each member of Top Management, for Year 2019, is as follows:</p> <ul style="list-style-type: none"><li>• Dato' Dr. Ir. Mohd Abdul Karim bin Abdullah, Non-Independent Executive Director / Group Chief Executive Officer / Managing Director of RM1,317,000, which detailed as follows:<ul style="list-style-type: none"><li>○ Salary: RM1,284,000</li><li>○ Other Emolument: RM33,000</li></ul></li><li>• Syed Nazim Syed Faisal, Group Chief Financial Officer of RM710,400, which detailed as follows:<ul style="list-style-type: none"><li>○ Salary: RM710,400</li></ul></li></ul>

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit & Risk Committee is Hasman Yusri Yusoff, and he is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The policy was incorporated in the Terms of Reference of the ARC. Similar requirement was extended to professionals who have dealings with the Group.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARC is responsible for assessing capabilities and independence of external auditor and to make subsequent recommendations to the Board on appointment, re - appointment or termination of the external auditor.</p> <p>Under its Terms of Reference, the ARC reviews the suitability, and independence of external auditor of the Company.</p> <p>The review process covers assessment of the independence of external auditor, evaluation of their performance, quality of work, audit fees and adequacy of resources.</p> <p>During the year under review, ARC met with the external auditors namely KPMG PLT twice in the absence of the Management.</p> <p>In relation to this, ARC noted the assurance provided by External Auditor confirming their independence throughout the financial year under review.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The members of ARC are financially literate i.e. have the ability to read and understand fundamental financial statements, including a Group's balance sheet, income statement, statement of cash flow and key performance indicators.  The qualification and experience of the individual ARC members are disclosed in the Director's Profile in the Group's Annual Report 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Group has a risk management framework and internal control systems in place to ensure the smooth running of the business with the aim to manage the risks and control of the Group's business and financial affairs economically, efficiently and effectively to be able to seize profitable business opportunities in a disciplined way while avoiding or mitigating risks that could cause loss, reputational damage or business failure.  Further information on risk management framework and internal control are disclosed in the Statement of Risk Management and Internal Control in the Group's Annual Report 2019.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The key features of the Group's risk management and internal control framework, which cover its adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the Group's Annual Report 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The function of Risk is undertaken by the ARC which was formed by the Board and the members were appointed by the Board from amongst the Board members.</p> <p>The ARC comprises of 4 members, which all of them are Non-Executive Directors and the Chairman of ARC is designated as a Senior Independent Non-Executive Director.</p> <p>The primary responsibilities of the ARC are to assist the Board to fulfil its oversight responsibilities in areas such as an entity's financial reporting, internal control systems, risk management systems, internal audit function and external audit functions.</p> <p>The functions and authority of the ARC extends to the Group and all its subsidiaries as well as joint venture and associate companies.</p> <p>The ARC has discussed the Group's risk management in the separate meeting in Financial Year 2019.</p>

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has engaged Salihin Consulting Group Sdn. Bhd. ("SALIHIN"), as Internal Auditor to undertake a Risk Based Internal Audit Consultancy.</p> <p>SALIHIN's key functions are to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group.</p> <p>SALIHIN maintains its impartiality, proficiency and due professional care, as outlined in its Internal Audit Charter, by having its plans and reports directly under the purview of the ARC.</p> <p>The ARC has full access to internal auditors and receives reports on all audits performed.</p> <p>SALIHIN performs independent audits in diverse areas within the Group including overall governance and control, operations, projects, accounting and financial activities, in accordance with the risk - based annual audit plan as approved by the ARC.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group is headed by Ahmad Izwan Adnan who is the Executive Director of SALIHIN.</p> <p>He is a Chartered Accountant with Malaysian Institute of Accountants (“MIA”), a member of Institute of Internal Auditors (“IIA”) Malaysia and a member of Malaysian Institute of Corporate Governance Malaysia.</p> <p>He holds a Bachelor’s Degree in Accountancy from International Islamic University Malaysia.</p> <p>All internal audit activities for the financial year under review were performed in house by 4 designated internal auditors from SALIHIN of diverse backgrounds and disciplines such as accounting and finance, business administration and management, engineering and information technology.</p> <p>SALIHIN undertakes that the designated internal auditors are competent and adequately equipped in executing their duties and responsibilities by having structured development program and providing sufficient and relevant trainings.</p> <p>In addition, the Group adopts the Standards and Principles outlined in the International Professional Practices Framework of The Institute of Internal Auditors (“IIPPF”) and Committee of Sponsoring Organization of the Treadway Commission (“COSO”) Internal Control Framework, a comprehensive, structured and widely used auditing approach, in conducting the audit activities.</p> <p>Based on the COSO Framework, all aspects of controls are given emphasis in order to ensure risk is well managed and mitigated.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognizes the importance of effective dialogue with shareholders and investors.</p> <p>The Group believes that communication with the shareholders is a 2 - way process.</p> <p>The Group take into consideration views and feedback it receives from all the shareholders.</p> <p>In the past year, the GCEO/MD, the Group Chief Financial Officer and other members of Management, conducted regular dialogues with both shareholders and analysts.</p> <p>This resulted in better understanding of the Group's financial performance and operations.</p> <p>Press releases, announcements to Bursa Malaysia, media conference of post AGM, analyst briefings and quarterly results of the Group are also made available publicly and this serves to promote accessibility of information to the shareholders and all stakeholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Please provide an explanation for the departure.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Group shall adopt integrated reporting based on a globally recognised framework.	
<b>Timeframe</b>	:	Within 1 year	

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>For its 3rd AGM held on 20 June 2019, the Group dispatches the notice to shareholders, 52 days before the AGM, well in advance of the above requirement and 21-day requirement under the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The additional time given to shareholders to allow them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys.</p> <p>More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All directors attended 3 <sup>rd</sup> Annual General Meeting held on 20 <sup>th</sup> June 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's AGM held within the capital city limits and not in remote location.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

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

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

Click or tap here to enter text.

