

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0162
COMPANY NAME : WIDAD GROUP BERHAD
(formerly known as *Ideal Jacobs (Malaysia) Corporation Bhd*)

FINANCIAL YEAR : December 31, 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	:	<p>The Board shall strive to ensure that the Company and its subsidiaries ("Group") are managed to achieve the set objectives. This responsibility of the Board would be an active and not passive responsibility. The Board shall ensure that the management has in place the appropriate processes for risk management, internal control and the monitoring of performance against agreed benchmarks. The Board shall work with senior management as collaborators in advancing the interests of the Group. However, the Board shall not be too accepting of the management's views and shall test and question the management's assertions, monitor progress, evaluate management's performance and will, where warranted, take corrective action.</p> <p>The Board assumes the following key responsibilities:</p> <ul style="list-style-type: none">• Review and approve the strategies, business plans and significant policies after satisfying themselves that management has taken into account all the relevant and appropriate considerations in establishing the strategies, plans and policies;• Ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;• Monitor implementation, progress and performance of the strategies, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;• Evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safe guard the Company's assets;

	<ul style="list-style-type: none"> • Ensure that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks; • Establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports; • Ensure that the financial statements of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements; • Ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in conduct of business. • Ensure that there is in place an appropriate investor relation and communication policy; • Ensure that the Company’s corporate disclosure are in compliance with the disclosure requirements as set out in the Bursa Malaysia Listing Requirements; and • Ensure wider usage of information technology in communicating with stakeholders including establishing a dedicated section for corporate governance on the Company’s website. <p>To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:</p> <p>(a) Audit Committee (“AC”) (b) Nomination Committee (“NC”) (c) Remuneration Committee (“RC”)</p> <p>All Committees have written terms of reference. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board’s consideration and approvals.</p>
Explanation for departure	: Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

Measure	:	Not applicable	
Timeframe	:	Not applicable	Not applicable

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by an experienced Executive Chairman, DATO' FEIZAL MUSTAPHA @ FEIZAL BIN MUSTAPHA, who is responsible in instilling good corporate governance practices, leadership and effectiveness of the Board.</p> <p>Some of the specific responsibilities of the Chairman include:</p> <ol style="list-style-type: none">1. Leading the Board in setting its values and ethical standards of the Company;2. Ensuring Board proceedings are in compliance with good conduct and best practices;3. Ensure the whole Board plays a full and constructive part in developing and determining the Group's strategy and overall business and commercial objectives;4. Arranging for regular evaluation of performance of Board Members, its Committees and individual Directors;5. Supply vision of the Group;6. Giving emphasis on importance issues challenged by the Group at Board meetings;7. In conjunction with the Managing Director, to represent the Company and/or Group to external parties such as major shareholders, creditors, consumer groups and other stakeholders;8. Guide the Group on long term strategic opportunities and represent the Group with key industry, civic and philanthropic constituents; and9. Promote the highest standards of integrity, probity and corporate governance on the Group. <p>The detailed roles and responsibilities of the Chairman have been set forth in the Board Charter.</p>
Explanation for departure	:	Not applicable

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

Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>There is a clear division of responsibility between the Chairman and the Managing Director ("MD") so as to ensure that there is a balance of power and authority.</p> <p>The Board is led by Dato' Feizal Mustapha who is the Chairman, whilst the executive management of the Company is helmed by Dato' Mohd Rizal Mohd Jaafar, the MD.</p> <p>The Chairman is primarily responsible for ensuring Board effectiveness whilst the MD is responsible for business plan and growth, operations and efficient management.</p> <p>Chairman and MD duties and responsibilities are clearly defined in the Board Charter, and a copy of the Board Charter can be accessed in the Company's website, www.widadgroup.com.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries are qualified Chartered Secretaries, under the prescribed body as permitted by Companies Act 2016. The appointment and removal of the Company Secretaries are under the purview of the Board of Directors.</p> <p>The Company Secretaries update the Board on the changes to the statutory and regulatory requirements from time to time at Board meetings. The Company Secretaries also notified the Directors and Principal Officers on the closed period for trading in the Company's securities, in accordance with Chapter 14 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").</p> <p>The Company Secretaries play an important role in the annual general and extraordinary general meetings in ensuring that the due processes and proceedings are in place and properly managed. During the meeting, the Company Secretaries will assist the Chairman and the Board in the conduct of the meetings and ensure the minutes are properly recorded, particularly questions and issues raised by the shareholders.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed in a timely manner. The Board papers are sent out via emails or physical copies to all Directors at least 5 days before the Board Meetings. Exceptions may be made for certain ad-hoc or urgent instances when Directors consent to shorter notice.
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's Board Charter clearly identifies the respective roles and responsibilities of the board, board committees and individual directors including Executive Directors and Non-Executive Directors.</p> <p>The Board regularly reviews this charter to ensure they remain consistent with the Board's objectives and responsibilities. The Board Charter was last reviewed on 27 February 2019.</p> <p>The Board Charter is published on the Company's website, www.widadgroup.com.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board of Directors has conducted themselves in an ethical manner while executing their duties and functions and complied with the Company Directors' Code of Ethics. The said Code establish a standard of ethical behavior for the Directors to uphold sincerity, integrity, responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating the Company. A copy of the policy is available at the Company's website at www.widadgroup.com .
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

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	:	The Company has adopted Whistleblowing policy to safeguard the Company's interest and also to protect the whistleblower interest. The policy spells out the types of misconduct, malpractice and irregularity, and how the reporting and investigations will be carried out. The Company expects all employees to observe the policy in the conduct of day to day business. A copy of the policy is available at the Company's website at www.widadgroup.com .	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board currently has six (6) members, comprising four (4) Independent Non-Executive Directors and two (2) Non-Independent Executive Director. The presence of majority Independent Directors allow Board's deliberations and decisions to be made objectively in the best interest of the Company. <i>Remark</i> <i>The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements, where it requires at least 2 directors or 1/3 of the Board, whichever is the higher, to consist of independent directors.</i>	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 4.2

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

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

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

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	:	Adopted
Explanation on adoption of the practice	:	The tenure of the Independent directors do not exceed a cumulative term of nine years. The Board is to recommend the director for shareholders' approval in the event it retains as an Independent director, the director who had served in that capacity for more than nine years. This is clearly spell out in Board Charter which was published in Company's website, www.widadgroup.com .

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>This Group believes that recognising the Board's diversity enhances decision making capability and quality of the Board's performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategies objectives and its sustainable development.</p> <p>The Group believes that a truly diverse Board will leverage differences in perspective, knowledge, skill, industry experience, background, age, ethnicity, race and gender between the Directors, and these differences will be considered in determining the optimum composition of the Board.</p> <p>The NC has the primary responsibility in identifying suitable qualified candidates to become members of the Board. The selection of candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.</p> <p>The Group does not set specific numerical target for appointment of candidates belonging to particular demographic groups to the Board. Notwithstanding the importance to promote board diversity, appointments to the Board are ultimately based on merit, having regard to the contribution of the candidates to the Board as a whole. The Board believes that merit-based appointment will best enable the Group to serve its shareholders and stakeholders.</p> <p>The Board has established a Board Diversity policy which was published in the Company's website, www.widadgroup.com.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable

Timeframe	:	Not applicable	
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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	:	Not applicable	
Explanation for departure	:	The Board currently has a female Director on Board. The Group does not adopt any formal gender diversity policy in the selection of new Board candidate. The evaluation of the suitability of candidates as new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. The Company does not adopt any formal gender diversity policy in the selection of new Board candidates. The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company, regardless of gender.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board will consider the gender diversity as part of its future selection.	
Timeframe	:	Within 2 years	

Intended Outcome

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

Practice 4.6

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	:	There was resignation and new appointment of Director during the financial year due to corporate exercise conducted. The selection of new Directors is done via nominations by the major shareholders and/or holding company or recommendations from the Management or existing Directors prior to approval by the Board. New Board Members are to be appointed by appropriate recommendation of the NC for Board's consideration and decision of the full Board
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Nor Adha Bin Yahya, who is the Independent Director on the Board.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The NC assesses the effectiveness of the Board as a whole and the Board Committees, and also the contribution of each Director. The evaluation process is conducted via questionnaires and is based on self-review and peer assessment. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. The NC reviews the outcome of the assessment and report to the Board, in particular, areas for improvement and also used as the basis of recommending relevant Director for re-election at the Annual General Meeting. This assessment is done on yearly basis.
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure	
Explanation on application of the practice	:	Not applicable	
Explanation for departure	:	The Executive Directors' remuneration package is linked to the experience, scope of duty and responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary, among others bonus whereby the Non-Executive Directors receive fixed director fees and meetings allowance. The RC reviews and recommends the Executive Directors' remuneration package by assessing their KPI and also refers to market of similar industry and its size as a benchmark. An appropriate remuneration package is designed to retain and attract caliber Directors to discharge their duty with integrity, to grow and lead the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	The Company has its own RC to review and recommend matters relating to the remuneration of board. The RC which comprises wholly of Independent Non-Executive Directors is governed by its terms of reference which sets out the roles and responsibilities of the RC in relation to remuneration matters, a copy of which is available on the Company's website, www.widadgroup.com .
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The remunerations of each director has been disclosed in Annual Report, section Corporate Governance Overview Statement. The remuneration breakdown includes fees, salary and others.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

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	:	Not applicable
Explanation for departure	:	The remuneration of the top five senior management's remuneration are not disclosed on named basis but in the bands of RM50,000 for confidentiality reason as it may be detrimental to the interest of the Company and individuals. The Board is of a negative view to disclose the remuneration of the top five senior management given the competitive human resources environment to circumvent hitching of talent and other talent retention issues.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company disclosed the remuneration include salaries, bonus, social contribution and benefit-in-kind.
Timeframe	:	No propose timeline

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	:	Not applicable

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee, Mr Ong Kuan Wah is an Independent Non-Executive Director. The Chairman of the Board is Dato' Feizal Mustapha @ Feizal Bin Mustapha.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee comprises of four (4) members, all whom are Independent Non-Executive Directors. At present, none of the Audit Committee members were former key audit partners of the Company's external auditors	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

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	:	External auditor, Messrs. Grant Thornton Malaysia ("GTM") presented to the AC its 2018 Audit Planning Memorandum in November 2018 which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters with reference to the approved standards on auditing issued by the Malaysian Institute of Accountants. Subsequently, GTM will brief the AC on its audit findings and the Audited Financial Statements. This formed part of the AC's assessment of the suitability, objectivity and independence of GTM on an annual basis. GTM has confirmed their independence to the AC in accordance with the Malaysian Institute of Accountants' By-Laws, International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The current AC members consist of all Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman and members of the AC are financially literate and have carried out their duties and responsibilities in accordance with the terms of reference of the AC.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has overall responsibility for maintaining a sound system of internal control and risk management that provide a reasonable assurance of effective and efficient operations, and compliance with the relevant laws and regulations as well as with internal procedures and guidelines.</p> <p>The Board also recognises that a sound risk management system and internal control can only reduce but not eliminate the possibility of poor judgment in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system provides only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.</p> <p>The Board has obtained assurance from the Group Managing Director that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The key features of the Statement on Risk Management and Internal Control is included in the Annual Report and provides the overview of the internal control framework adopted by the Company.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	Not applicable

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Group's internal audit function, which reports directly to the AC, is outsourced to Afrizan Tarmili Khairul Azhar ("AFTAAS"). Details of the internal audit function are set out in the Statement on Risk Management and Internal Control and AC Report contained in the Annual Report. AFTAAS will report their findings to AC regularly and any matters that need AC's immediate attentions.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>AFTAAS reports directly to the Committee. Its primary responsibility is to carry out periodic reviews of the systems of internal controls so as to provide reasonable assurance to the Audit Committee that such systems are adequate and effective.</p> <p>AFTAAS is free from any conflict of interest and its auditing activities are guided by the International Professional Practices Framework.</p> <p>Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the Audit Committee for their review and approval.</p> <p>Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.</p> <p>The total cost incurred for the outsourcing of the internal audit function for the financial year ended 31 December 2018 was RM17,500.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company values dialogues with the investors and is constantly striving to improve the communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major development of the Company. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website at www.widadgroup.com.</p> <p>The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining issues in the financial performance and business plan. The Board takes the opportunity to present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.</p>
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:	Not applicable	
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

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	:	In order to encourage shareholders' participation and engagement with the Board and senior management effectively in the AGM, the Board would ensure that the Notice of the AGM is sent to shareholders at least 28 days ahead of the date of general meeting. In addition, the Board would also ensure that this Notice contains details of resolutions proposed along with background information and explanatory notes that are relevant.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors (except for Mr Koong Lin Loong) were present at the Ninth AGM in person to engage directly with the shareholders.	
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Not applicable	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	The AGMs are at all times been held at hotels in city centre which is easily accessible to most shareholders of the Company. The Company has adopted poll voting system at its Ninth AGM for all resolutions proposed, where the votes were cast by way of voting slips. Shareholders who are unable to attend the AGM are allowed to vote via proxy.
Explanation for departure	:	Not applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not applicable
Timeframe	:	Not applicable

**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.

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