

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5232
COMPANY NAME : LEON FUAT BERHAD
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 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the proper stewardship of the Group to ensure the maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term financial results, with proper social and environmental considerations.</p> <p>The Board is also responsible to promote and ensure effective execution of good corporate governance practice and a corporate culture of ethical conduct especially among its members and generally that would permeate throughout the Company via effective communication including the establishment and adoption of the Board Charter by the Board which sets out the roles and responsibilities of the Board and that of the Management. The Board Charter is published on the Company's website at www.leonfuat.com.my.</p> <p>The Board Committees' roles, duties and responsibilities are defined in their respective Terms of Reference available on the Company's website. The Board's roles and responsibilities are further elaborated in the Corporate Governance Overview Statement ("CG Overview Statement") in the Annual Report 2018 of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman represents the Board to the shareholders. The Chairman is responsible for ensuring the integrity and effectiveness of the governance processes of the Board, amongst others.</p> <p>The key roles and responsibilities of the Chairman include:</p> <ul style="list-style-type: none">a. Managing Board communications and Board effectiveness and effective supervision over Management;b. Creating conditions for good decision making during Board and shareholders’ meetings;c. Ensuring Board proceedings are in compliance with good conduct and best practices;d. Maintaining good contact and effective relationships with external parties, investing public, regulatory agencies and trade associations and other stakeholders;e. Ensuring that quality information to facilitate decision-making is delivered to the Board on a timely manner. <p>Further details on the responsibilities of the Chairman of the Board are set out in the Board Charter.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The position of the Chairman and Group Managing Director of the Company are held by two (2) different individuals, to ensure balance of power and authority.</p> <p>There is a clear and distinct division of responsibilities between the Chairman of the Company and Group Managing Director to ensure that there is an appropriate balance of power and role, responsibility and that no individual has unfettered powers of decision. Their respective responsibilities are set out in the Board Charter.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The corporate secretarial function of the Company has been outsourced to Archer Corporate Services Sdn Bhd, and the Board is supported by two (2) professional Company Secretaries who are experienced and qualified pursuant to the requirements of the Companies Act 2016.</p> <p>The Company Secretaries have vast knowledge and are supported by a dedicated team of company secretarial personnel. The Company Secretary is responsible for supporting the effective functioning of the board. The Board have full and unrestricted access to the Company Secretaries who play an advisory role and keep the Board abreast and appraised of regulatory legislations and requirements, corporate governance best practices and other relevant rules or guidelines from time to time.</p> <p>The appointment and removal of Company Secretaries of the Company shall be the decision of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	Meetings materials are normally circulated to the Board and Board Committees members at least seven (7) days prior to their respective meetings. The minutes of the Board and Board Committees’ meetings are circulated within reasonable time and confirmed as a correct record of the proceedings by the Board and Board Committees at their following respective meetings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board had adopted a Board Charter which sets out amongst others, the roles, functions, responsibilities, structure and procedures of the Board of Directors.</p> <p>The Board Charter is reviewed periodically to ensure that it remains current, adequate and consistent with the Board’s objectives and responsibilities. The Board Charter is published on the Company’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has adopted a Code of Ethics and Conduct which dictates the ethics and standard of good conduct expected of Director, management and employees.</p> <p>The Code of Ethics and Conduct is published on the Company’s website and will be reviewed by the Board regularly to remain consistent with the Board’s objectives and responsibilities.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group has in place a Whistle-Blowing Policy which provides a platform where an individual can raise concern about risk, malpractice or wrongdoing that may affect others such as customers, suppliers, staff, the Group or public interest. Individuals are encouraged to raise genuine concerns at the earliest opportunity and in an appropriate way.</p> <p>The Whistle-Blowing Policy is published on the Company’s website. The Board will regularly review and update the Whistle-Blowing Policy it deemed necessary or desirable to remain consistent with current circumstances and the Company’s policies.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board currently comprises five (5) Executive Directors including the Group Managing Director and four (4) Independent Non-Executive Directors.	
		The presence of the Independent Non-Executive Directors ensures that views, consideration, judgement and discretion exercised by the Board in board deliberations and decision making remains objective, unbiased and independent whilst assuring the interest of other parties such as minority shareholders are adequately protected as well as being accorded with due consideration.	
		The Company will consider introducing independent director(s) to the Board when suitable candidate(s) are identified.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

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

Intended Outcome

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

Practice 4.3- Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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>The Board seeks to ensure that its membership reflects diversity covering a combination of skills, experience, race, age, gender, educational and professional background and other relevant personal attributes in providing a range of perspectives and insights to enable it to discharge its duties and responsibilities effectively.</p> <p>The Board will consider new appointment to be Board to take into account the specific skills and experience, independence and knowledge needed to ensure an effective Board and the diversity benefits the candidate can bring to the overall Board composition.</p> <p>The Nomination Committee is delegated with the responsibility of identifying, assessing and considering and recommending to the Board, suitably qualified candidates for appointment as Directors, after taking into consideration the above criteria and having regard to the diversity objective of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board will consider new appointment to be Board to take into account the specific skills and experience, independence and knowledge needed to ensure an effective Board and the diversity benefits the candidate can bring to the overall Board composition.</p> <p>On gender diversity, the Board recognising the emerging targets for companies to move towards having a certain number or percentage of female representation and will take opportunities to increase the number of female Board Members where that is consistent with other skills, diversity and requirements of the Board.</p> <p>The Board will also seek to ensure the development of diversity in the senior management roles within the Group and supports and oversees the Group's objective of achieving senior roles held by female executives and to develop opportunities for female executives to ensure unbiased career progression opportunities.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a formal recruitment policy for director that sets out selection process and criteria to ensure that board appointments are made on the basis of assessment of skills, knowledge, experience and other diversity considerations, having regard to the nature of activities and scope of the Company's objectives and purpose.</p> <p>The candidate selection process will avoid discrimination and must be governed, in pursuit of the Company interest, by merit as the main criterion of selection, in a process that requires a search for the most qualified candidates.</p> <p>The Board through the Nomination Committee can consider variety of approaches and sources to ensure that it is able to identify the most suitable candidates including sourcing from a directors' registry and open advertisements or the use of independent search firms. In selecting the potential candidates, the criteria to be considered by the Nomination Committee will include professional competencies, balance of skills, knowledge and experience including any former board experience. The Nomination Committee will also assess the potential candidate with regard to the diversity objective of the Company; amongst other criteria.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee consists of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Nomination Committee is the Senior Independent Director of the Company.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the Nomination Committee undertakes annual assessment of the Board, Board Committees including Audit, Remuneration, Nomination Committees and individual Director facilitated by the Company Secretary covering four (4) main areas namely, Board Structure, Board Operations and Board Roles and Responsibilities, Board Committees and Board Chairman's Roles and Responsibilities. For Director's Peer Evaluation, the assessment criteria include contribution to interaction, quality of input and understanding of role as a member of the Board.</p> <p>Generally, the Board was satisfied that the performance of the Board has been satisfactory and that all the Directors were of the view that each of them had performed their respective roles and functions effectively during the financial year and all the Board Committees were assessed to be effective as a whole in discharging their roles and responsibilities as per their Terms of Reference.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee is responsible for reviewing and recommending to the Board the policy and framework of the remuneration packages of the Executive Directors and Key Management Personnel. The Board believes that fair remuneration is important to attract, retain and motivate Directors and Key Management needed to run and manage the Company successfully. The remuneration policy seeks to ensure the Company provide a well-balanced and competitive performance-related compensation package that is focused on sustainable results and is aligned with the business strategy of the Company, taking into account shareholder's interests, industry trend and standards and applicable laws and regulations.</p> <p>The remuneration policy will ensure that remuneration to Board members and Key Management Personnel involves a balance between fixed and variable pay reflecting short and long-term performance objectives of the Company and its goals.</p> <p>The Remuneration of the Executive Directors and Key Management Personnel consist of salary, bonus, benefits in kind and other emoluments. Payment of performance-related remuneration to Executive Directors and/or Key Management Personnel is linked to individual and corporate performance measured against the achievement of pre-determined performance targets which are closely aligned to the Company's objectives.</p> <p>The remuneration policies and procedures are periodically reviewed and made available on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 Remuneration Committee consists of all Independent Non-Executive Directors. The Committee is guided by its policies and procedures when reviewing and recommending the remuneration of the Board and senior management. The Terms of Reference of the Remuneration Committee is published on the Company’s website.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The remuneration of individual Directors of the Company are disclosed on named basis with breakdown such as fees, salary, bonus, benefits in-kind and other emoluments. Details of the remuneration of individual Directors on named basis are set out on page 58 of the Annual Report 2018 of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The remuneration of the top five (5) Key Management Personnel of the Company will be disclosed on an aggregate basis in bands of RM50,000. The Board is of the opinion that the disclosure of the names and remuneration components of the Key Management Personnel including salary, bonus, benefits in-kind, other emoluments would be a disadvantage not in the interest of the Group due to confidentiality and security concerns.</p> <p>The Board ensures that the remuneration of Key Management Personnel is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating them to lead and run the Company successfully. The disclosure of the remuneration of the top five (5) Key Management Personnel of the Company is made on an aggregate basis and it allows stakeholders to make an appreciable link between remuneration of Key Management and the performance of the Group.</p>	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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 and the Chairman of the Board are held by different Independent Non-Executive Directors.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The policies and procedures established by the Audit Committee on External Auditors includes amongst others, the requirement for the former key audit partner to observe a cooling-off period of at least two (2) years before being considered for appointment as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee has established policies and procedures to assess the suitability and independence of the External Auditors. The assessment criteria include independency, experience, objectivity, resources and reliability, compliance and adherence to professional ethics and requirements.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.

The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee consists of three (3) members, all of whom are 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	:	<p>The members of the Audit Committee possess the necessary skills and qualifications to discharge their duties effectively.</p> <p>The Board took cognisance that all members of the Board including members of Audit Committee attend such training programme to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules and the latest development of the industry and/or changes to applicable regulatory requirements.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group has in place an effective risk management and internal control framework to identify and assess the risks faced by the Group and implement and monitor appropriate internal controls to manage and mitigate those risks.</p> <p>The Audit Committee has been entrusted by the Board to ensure the effectiveness of the Group's risk management and internal control systems. The activities of the outsourced Internal Auditors are reported to the Audit Committee every quarter which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.</p> <p>Details of the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control set out on pages 59 to 60 of the Annual Report 2018 of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee is entrusted by the Board to ensure effectiveness of the Group's risk management and internal control systems. The Audit Committee is supported by the Risk Management Working Group comprising representatives from the subsidiary companies.</p> <p>As an integral component of the Group's corporate governance, the Audit Committee and/or Risk Management Working Group have, in their risk assessment and management efforts, assume, amongst others, the following duties and responsibilities:</p> <ul style="list-style-type: none">• Review and discuss with Management the risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management;• Review and discuss with management the risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputation risk, as well as the guidelines, policies and processes for monitoring and mitigate such risks;• Receive, as and when appropriate, reports from the Internal Auditors on the results of risk management reviews and assessments;• Review disclosure regarding the risk management and internal control statement of the Group;• Review reports on selected risk topics as the Audit Committee deems appropriate from time to time;• Given unrestricted access to the Management and to the accurate and complete information pertaining to the Group including from auditors and/or consultants; and• Discharge any other duties or responsibilities delegated to the Audit Committee by the Board. <p>The risk assessment approach is summarised as follows:</p> <ul style="list-style-type: none">• Identify relevant business objectives;• Identify events that could affect the achievement of objectives;• Determine risk tolerance;• Assess inherent likelihood and impact of the risks;• Evaluate the portfolio of risks and determine risk responses; and• Assess residual likelihood and impact of risks.

	The internal audit function within the Group provides assessment as to whether identified key risks, which may hinder the Company from achieving its objectives, are being adequately evaluated, managed and controlled. It further evaluates the effectiveness of the governance, risk management and internal control framework and facilitates enhancement, where appropriate.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Audit Committee has been entrusted by the Board to ensure the effectiveness of the Group's risk management and internal control systems. The Audit Committee has assumed the risk management function as part of its responsibilities supported by the Risk Management Working Group. The reports from the Risk Management Working Group on matters relating to risk assessment and/or management are submitted to the Audit Committee for review.</p> <p>The Audit Committee comprise solely of Independent Directors to review and oversee the risk management framework of the Group. The Group has in place a formal risk management framework as an on-going process for identifying, evaluating and managing the significant risks faced by the Group.</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.

Application	:	Applied	
Explanation on application of the practice	:	<p>During the financial year ended 31 December 2018, the Company outsourced its internal audit function to MAC & Associates PLT, an independent professional service provider. The Internal Audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group.</p> <p>Details of the internal audit function of the Group for the financial year under review were set out in the Statement of Risk Management and Internal Control in the Annual Report 2018 of the Company.</p> <p>With effect from financial year 2019, the Audit Committee has adopted a policy that requires the rotation of the outsourced Internal Auditors once every five (5) years to ensure and enhance the effectiveness of internal audit review and control of the Group.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function of the Group was outsourced to MAC & Associates PLT, an independent professional service provider to facilitate the risk assessment and internal control reviews based on the approved internal audit plan. The internal audit personnel have declared that they are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>MAC is headed by Mr Chuah Lai Meng who is a member of CIA, CRMA, CCSA and QMR and the firm maintained adequate resources to discharge the internal audit duties and responsibilities.</p> <p>The internal audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors Malaysia.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company’s website provides a platform where the public can access to the Company’s information including its products and services, share prices, financial results, future plan, media releases as well as the Company’s announcements made to Bursa Securities, amongst others. The Annual General Meeting remains the principal forum for dialogue and interaction with the shareholders of the Company.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The notice period given to the shareholders for the Company’s 11th Annual General Meeting (“AGM”) held in year 2018 was more than 28 days. The notice was sent on 27 April 2018 and the date of the 11th AGM was on 6 June 2018.</p> <p>For the 2019 AGM of the Company scheduled to be held on 12 June 2019, the notice of AGM will be sent to the shareholders and other persons entitled to receiving the Notice on 29 April 2019, more than 28 days prior to the 2019 AGM.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board ensures that all the Directors attend the 12th AGM of the Company scheduled for 12 June 2019.</p> <p>All the Directors including the Chairman of the Board and Board Committees attended the 11th AGM of the Company held on 6 June 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company holds its AGM in Klang Valley at locations easily accessible by its shareholders.	
		Shareholders who are unable to attend are entitled to appoint proxy/proxies to speak and vote on their behalf at the general meetings.	
		Given the number of shareholders of the Company and the general meeting is scheduled at location easily accessible by its shareholders, currently there is no necessity to deploy remote shareholders' participation and voting in absentia at the general meetings of the Company.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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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