

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5232  
**COMPANY NAME** : LEON FUAT BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is 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 vide 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.</p> <p>The Board assumed specific duties and responsibilities to facilitate the effective discharge of its fiduciary and leadership functions in the pursuit of the best interest of the Group. These includes but not limited to overseeing the conduct of the Group's business and operations, reviewing the strategic plan of the Group, ensuring the Group has in place effective risk management and internal control framework to identify and assess the risks faced by the Group and implementing appropriate internal controls to manage and mitigate the risks, establishing and reviewing the Group's succession planning for key roles and positions.</p> <p>The Board has established Board Committees to assist in carrying out its oversight functions and execution of its duties. The Board Committees comprising the Audit Committee, Nomination Committee and Remuneration Committee are authorised by the Board to deal with and deliberate on matters delegated to them within their respective terms of reference, which are available for reference at the Company's website.</p>

	The Board’s roles and responsibilities alongside other specific matters reserved for the collective decision of the Board are further elaborated in the Corporate Governance Overview Statement (“CG Overview Statement”) in the Annual Report 2019 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

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 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"><li>a. Managing Board communications and Board effectiveness and effective supervision over Management;</li><li>b. Creating conditions for good decision making during Board and shareholders' meetings;</li><li>c. Ensuring Board proceedings are in compliance with good conduct and best practices;</li><li>d. Maintaining good contact and effective relationships with external parties, investing public, regulatory agencies and trade associations and other stakeholders;</li><li>e. Ensuring that quality information to facilitate decision-making is delivered to the Board on a timely manner.</li></ul> <p>Further details on the responsibilities of the Chairman of the Board are set out in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of the Chairman and the Group Managing Director are separated to ensure balance of power and authority. The Chairman of the Company is an Independent Non-Executive Director and he is responsible for the effective overall functioning of the Board and ensuring the integrity and effectiveness of the governance processes of the Board and will consult with the Board promptly over any matter of major concern.</p> <p>The Chairman ensures that appropriate procedures are in place and will act as facilitator at meetings of the Board and ensure that no Board member, whether executive or non-executive, dominates the discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming. The Chairman ensures that all strategic and critical issues are considered and deliberated by the board and decisions are taken on a sound and well-informed basis.</p> <p>On the other hand, the key roles and functions of the Group Managing Director include ensuring the day to day business affairs and operations of the Group are effectively managed as well as the Group’s strategies and corporate policies are effectively implemented and monitored.</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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two (2) experienced Company Secretaries who are the members of the prescribed professional body and are 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. Besides advisory role, 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 keep the Board abreast and appraised of regulatory legislations and requirements, corporate governance best practices and other relevant rules or guidelines affecting the Group from time to time.</p> <p>The appointment and removal of Company Secretaries of the Company shall be the decision of the Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	<p>In order to allow sufficient time for the Directors to review and be prepared for discussion prior to making informed decision at board and committees meetings, the meetings materials including formal meeting agenda and discussion papers are circulated to the Board and Board Committees members at least seven (7) days prior to their respective meetings.</p> <p>The proceedings of the Board and Board Committees meetings and resolutions passed are recorded and the relevant minutes highlighting key deliberations and/or decisions of the Board and Board Committees are circulated within reasonable time and confirmed as a correct record of the proceedings by the Board and relevant committees at their following respective meetings. The minutes of the meetings, once confirmed, shall be conclusive evidence of the proceedings thereat. The confirmed minutes of each Committee shall be tabled to the Board for notation.</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**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter adopted by the Board sets out the roles, functions, responsibilities, structure and procedures of the Board including but not limited to:</p> <ul style="list-style-type: none"> <li>• Board responsibilities;</li> <li>• Board membership guidelines;</li> <li>• Board structures and procedures;</li> <li>• Relationship of the Board with management;</li> <li>• Directors' remuneration; and</li> <li>• Relationship of the Board with shareholders.</li> </ul> <p>The Board shall review and update the Board Charter from time to time to reflect changes to the Company's policies and procedures and comply with the latest applicable rules and regulations governing the Group.</p> <p>The Board Charter is reviewed from time to time 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>
<b>Explanation for departure</b>	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Code of Ethics and Conduct ("Code") which dictates the ethics and standard of good conduct expected of the Directors, management and employees of the Group. They are required to observe the Code and uphold the ethical standards and behaviour and operate in a manner consistent with the Group's values and all applicable laws, rules and regulations affecting the Group, besides conduct themselves with integrity, professionalism and act in an ethical manner and at all time faithfully and diligently carry out their duties to the best of their ability.</p> <p>The Code was formulated at the Group level and covers the following key areas:</p> <ol style="list-style-type: none"><li>1. Ethical Standards and Duties</li><li>2. Compliance with Laws and Policies</li><li>3. Conflict of Interest</li><li>4. Misuse of Position and Information</li><li>5. Confidentiality of Information</li><li>6. Company Properties</li><li>7. Safety and Health</li><li>8. Non-Discrimination and Equal Opportunity</li><li>9. Reporting of Suspected Violations</li></ol> <p>The Code 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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has in place a Whistle-Blowing Policy which provides a bona-fide 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 Policy aimed to support the Group's values and ensure that the employees or other concerned parties are protected and can raise genuine concerns without fear of reprisals through a transparent and confidential process. The Policy covers possible improprieties in matters relating to but not exhaustive to financial, fraud, corruption, bribery or blackmail, criminal offences, breach of legal or regulatory obligations, sexual harassment as well as concealment of any or combination of any of the above.</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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board comprises nine (9) members of whom five (5) members are Executive Directors including the Group Managing Director and the balance four (4) members are Independent Non-Executive Directors.</p> <p>The presence of the Independent Non-Executive Directors continues to ensure that views, consideration and judgement 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.</p> <p>The Company will consider introducing independent director(s) to the Board when suitable candidate(s) are identified.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### 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.

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board 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 have female representation on the board 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 the Group's objective of achieving senior roles held by female executives and develop opportunities for female executives to ensure unbiased career progression opportunities.</p>	
<b>Explanation for departure</b>	:	Please provide an explanation for the departure.	
		Please provide an explanation for the departure.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Director Recruitment Policy and Procedure adopted by the Company sets out the 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 the Company's objectives.</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. The Nomination Committee will also assess the potential candidate with regard to the diversity objective of the Company; amongst other criteria.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board through the Nomination Committee undertakes annual assessment of the Board, Board Committees and individual Director facilitated by the Company Secretary. The evaluation covers 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 prescribed roles and responsibilities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee is responsible for overseeing the policy and framework of the remuneration packages of the Executive Directors and Key Management Personnel. The Board takes cognisance that fair remuneration is important to attract, retain and motivate Directors and Key Management Personnel 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.</p> <p>The 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 bonus to Executive Directors and/or Key Management Personnel is linked to the Group and individual company's performance measured against the achievement of pre-determined performance targets which are closely aligned to the Company's objectives.</p> <p>The Remuneration Policy is available on the Company's website and is periodically reviewed to ensure its effectiveness.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Remuneration Committee which comprise solely Independent Non-Executive Directors has been tasked by the Board to review and recommend the remuneration of the Board and senior management, guided by the adopted Remuneration Policy and Procedures.  The Terms of Reference of the Remuneration Committee is published on the Company’s website.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>Details of the remuneration of individual Directors on named basis are set out on page 79 of the Annual Report 2019 of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	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 has opted not to disclose the names and remuneration components of the Key Management Personnel due to confidentiality and security concerns.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee and the Chairman of the Board are held by different individual, both being Independent Non-Executive Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The External Auditor Policy adopted by the Audit Committee includes 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.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The External Auditor Policy adopted by the Audit Committee outlined the guidelines and procedures for the Audit Committee to review and assess the performance, suitability, objectivity and independence for appointment and/or re-appointment of the External Auditors of the Company. The assessment criteria include independency and objectivity, competency, audit scope and planning.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	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 composition of the Audit Committee allows it to possess the necessary skills and qualifications to discharge their duties effectively. The members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.</p> <p>The Board ensures 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<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 oversee the effectiveness of the Group's risk management and internal control systems. The activities of the outsourced Internal Auditors are reported to and subject to review by 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 80 to 82 of the Annual Report 2019 of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 senior management team headed by the Executive Director from the operating subsidiary companies for effective review and governance of risk management and processes.</p> <p>The Risk Management Working Group has adopted a charter that outlined its purpose and functions, authorities and responsibilities in the discharge of its oversight duties.</p> <p>As an integral component of the Group's corporate governance, the Audit Committee and Risk Management Working Group have, in their ongoing risk assessment and management efforts, assume, amongst others, the following duties and responsibilities:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• 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 mitigation of such risks;</li><li>• Receive, as and when appropriate, reports from the Internal Auditors on the outcome of risk management reviews and assessments;</li><li>• Review disclosure regarding the risk management and internal control statement of the Group;</li><li>• Review reports on selected risk topics as the Audit Committee deems appropriate from time to time;</li><li>• Have unrestricted access to the Management and accurate and complete information pertaining to the Group; and</li><li>• Discharge any other duties or responsibilities delegated to the Audit Committee by the Board.</li></ul>

	<p>The risk assessment approach is summarised as follows:</p> <ul style="list-style-type: none"> <li>• Identify relevant business objectives;</li> <li>• Identify events that could affect the achievement of objectives;</li> <li>• Determine risk tolerance;</li> <li>• Assess inherent likelihood and impact of the risks;</li> <li>• Evaluate the portfolio of risks and determine risk responses; and</li> <li>• Assess residual likelihood and impact of risks.</li> </ul> <p>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.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>During the financial year ended 31 December 2019, the Company outsourced its internal audit function to IA Essential Sdn Bhd, a professional independent consulting firm. The internal audit function provides an independent and objective feedback to the Audit Committee and the Board and helps the Group to accomplish its objectives by bringing a systematic approach to evaluate the adequacy, effectiveness and efficiency of the internal control system of the Group.</p> <p>Details of the internal audit function of the Group and its activities for the financial year under review were set out in the Statement of Risk Management and Internal Control in the Annual Report 2019 of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group was outsourced to IA Essential Sdn Bhd (“IAE”), a professional independent 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>IAE is headed by Mr Chong Kian Soon who is a member of Chartered Accountants Australia and New Zealand (CAANZ), Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA), Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA) and Certified QAR Assessor of the IIA 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> <p>The Audit Committee has adopted a policy that with effect from financial year 2019, the Internal Auditors would be subject to rotation once every five (5) years to enhance objectivity and effectiveness of internal audit review and control;</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.1**

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Annual General Meeting remains the principal forum for dialogue and interaction with the shareholders of the Company and serves as a platform for shareholders to engage the Board and senior management on the business and operations of the Group and provide their constructive feedback.</p> <p>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.</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**

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

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

**Practice 11.2**

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

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

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The notice convening the Company’s 12th Annual General Meeting (“AGM”) held on 12 June 2019 was given to the shareholders on 29 April 2019, more than 28 days prior to the meeting. The said notice period given was more than the requisite 21 days’ prescribed by the Companies Act 2016 and the Listing Requirements.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board regards the AGM as the most direct and effective way for the Company to reach out to shareholders and stakeholders. It serves as a platform for the Company to convey business plans and strategies and for the shareholders to seek clarification or raise any queries on the business and operations relating to the Group as well as the resolutions to be tabled at the meeting.</p> <p>All the Directors including the Chairman of the Board and Board Committees attended the 12th AGM of the Company held on 12 June 2019.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company holds its AGM in Klang Valley at the location 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, the Board opined that there is no necessity to deploy remote shareholders' participation and voting in absentia at the general meetings of the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

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

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

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