

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5132
COMPANY NAME : DELEUM 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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board establishes the vision and strategic objectives of the Group, directs the Company's strategic planning, financial, operational and resource management, key policies, risk assessment and management and provides effective oversight of Management and stewardship of the Group's resources towards realising the vision of the Group.</p> <p>In preparing the strategies and budget for the Group for 2020, a pre-budget offsite meeting was held in October 2019 for the Board, the Group Managing Director and Key Senior Management to discourse on the business strategies and plans for 2020 and beyond, focusing on investments plans and budget for 2020 within the Group's risk tolerance levels amidst the challenging operating trading environment.</p> <p>On 25 November 2019, the Board approved the Strategic Plan and Budget for 2020 of the Group. The Vision of the Group is "To be the Market Leader in our Operating Segments domestically and to expand geographical presence in selected areas".</p> <p>Details of the Board's leadership's role and responsibilities are disclosed in the Corporate Governance (CG) Overview Statement on pages 45 to 46 of the Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.2

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 is appointed by the Board to preside over meetings of Directors and to ensure the smooth functioning of the Board in the interest of good corporate governance. He encourages positive contributions of all Directors at Board meetings and promotes an environment for open, robust and effective debate between all Board members and allows for constructive and dissenting views to be freely expressed.</p> <p>He is primarily responsible for the orderly conduct and effective working of the Board, and acts as a liaison between the Board and Management.</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	:	Dato' Izham bin Mahmud is the Non-Independent Non-Executive Chairman who is the co-founder of the Company together with the Non-Independent Non-Executive Deputy Chairman, Datuk Vivekananthan a/l M.V. Nathan. Encik Nan Yusri bin Nan Rahimy is the Group Managing Director of the Company. Their roles are separate and there is a clear division of responsibilities as defined in the Board Charter ensuring a balance of power and authority and further enhancing the independence of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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>Ms Lee Sew Bee and Ms Lim Hooi Mooi, the Company Secretaries of the Company, are qualified Chartered Secretaries having the professional qualification of The Institute of Chartered Secretaries and Administrators (ICSA), UK (now known as The Chartered Governance Institute). They are members of The Malaysian ICSA (MAICSA) and each have more than thirty (30) years of experience in handling corporate secretarial matters.</p> <p>They give clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities.</p> <p>The Company Secretaries are also responsible for:</p> <ul style="list-style-type: none">• facilitating Director's induction and assisting in Directors' training and development;• monitoring corporate governance developments and advising the Board on all corporate governance obligations and development in best practices;• managing processes for shareholders' meeting;• communicating with shareholders as appropriate;• providing briefing to the Board on relevant correspondences/communications from Bursa Malaysia Securities Berhad (Bursa Securities) and the Securities Commission from time to time and at quarterly meetings. The briefing for FY2019 included the following:<ul style="list-style-type: none">○ Second edition of the Sustainability Guide & Toolkits;○ Amendments to the Listing Requirements;○ Reader Friendly Guide for disclosures in announcements and circulars issued by Bursa Securities; and○ Key observations on Corporate Governance Reports and Corporate Governance Overview Statements of listed issuers.

	They possess the necessary skill and knowledge in discharging their duties. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia and MAICSA.	
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	:	<p>Prior to the meetings, members of the Board are furnished with the meeting agenda together with the comprehensive Board papers containing information relevant to the business of the meetings within a reasonable period and on average five (5) days before the meetings. Meeting papers are made available electronically and accessible via Company issued mobile devices. The papers are also available in hard copies when required.</p> <p>This allows the Directors to have sufficient time to read the papers and to obtain further information, explanations or clarifications, where necessary, in order that deliberations at the meetings are focused and constructive.</p> <p>Where a Director is unable to attend a meeting, he/she may provide comments on the Board papers or discuss issues arising directly with the Chairman and/or Group Managing Director.</p> <p>The minutes of Board and Board Committee meetings are circulated to all Directors in a timely manner for their review and comment.</p> <p>The Directors are apprised of the close period on restriction in dealing with securities of the Company at least 30 days prior to the release of the announcement on quarterly financial results. In addition, close periods are strictly enforced on Directors and Key Management personnel who may be in possession of market sensitive information prior to that information being made available to the public.</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 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 charter is available on the Company's corporate website www.deleum.com which sets out, amongst others:</p> <ul style="list-style-type: none">- composition of the Board;- duties and responsibilities of the Board;- division of responsibilities and powers between Chairman, Deputy Chairman and Group Managing Director;- responsibilities of the Independent Non-Executive Directors and Senior Independent Director;- matters reserved for the Board as well as those which the Board may delegate to the Board Committees, Group Managing Director and Management;- establishment of Board Committees; and- processes and procedures for convening Board meetings as well as operations and processes of the Board to promote the standards of corporate governance in line with the Group's shared values. <p>There are matters reserved set out in the Board Charter for the Board's collective decision, which include the following:</p> <ul style="list-style-type: none">• the overall corporate strategy and direction, business plans and annual budget including major capital commitments;• participation in tenders or projects exceeding the prescribed value in relation to the core business of the Group and all amounts in relation to non-core business activities;• material acquisitions and disposals of undertakings and properties; and• key policies and the delegation of authority guidelines of the Company. <p>The Board Charter which was adopted by the Board in 2012 was last reviewed and revised on 12 March 2019.</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>Deleum has established a Code of Business Conduct (COBC) as a guidance to be followed by the Directors and employees as well as its contractors, subcontractors, consultants, agents and other service providers with regard to the Group's standard of integrity and rules of conduct to be observed in the performance of work and business practices.</p> <p>The COBC covered the areas of, amongst others, conflict of interest, anti-bribery and anti-corruption, gifts, hospitality and entertainment, health, safety and environment, confidentiality, harassment, substance misuse policy and consequences of violation of the COBC.</p> <p>Employees were briefed on the COBC and other key policies of the Group by the Risk Management team together with representatives from Human Resource and ICT to ensure their awareness and conformity of the same. Any updates on the COBC were also briefed by the Group Managing Director at the town hall briefing to all employees. All new employees are briefed on the COBC and other key policies of the Group by the Human Resource Department to ensure their awareness and conformity of the same. Employees are also required to ascertain their understanding of the COBC via online awareness test annually through a set of questionnaires administered by the Human Resource Department. The COBC and the questionnaires are accessible via the Group's intranet and corporate website.</p> <p>Briefings on the COBC were conducted at various offices and locations of operations of the Group for both executive and non-executive personnel. Annual COBC awareness test was conducted via two different sets of COBC questionnaires in bilingual (English for Executive level and Bahasa Malaysia for Non-Executive level) which were designed taking into consideration the different working environment and exposure of</p>

	<p>the employees especially the large number of offshore based employees.</p> <p>In addition, the Board has also adopted and implemented a Directors' Code of Ethics (Code) which outlines certain standards of business conduct and ethical behavior to be observed by all Directors in discharging their duties and responsibilities.</p> <p>Under the Code, the Directors are required to avoid situations of conflict of interest between them as individuals and the interest of the Group and declare such interest at meeting where the matter is to be discussed. A Director should withdraw from the meeting and abstain during the relevant discussion or decision. The Board confirmed that no conflict of interest situation arose in the financial year just ended.</p> <p>Both the COBC and Directors' Code of Ethics are available on the Company's corporate website.</p>			
Explanation for departure	:			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
Measure	:			
Timeframe	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

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 Board has established a Whistleblowing Policy to provide an avenue to facilitate employees of the Group and external parties to report any wrongdoings and provide assurance of protection in accordance with the procedures of the policy. Key provisions of the policy include the commitment to non-victimization, maintenance of strict confidentiality and the procedures and processes governing any investigation.</p> <p>Under the policy, a whistleblower will be accorded with protection of confidentiality of identity. Any employee or external party who has knowledge or is aware that any improper conduct has been, is being, or is likely to be committed within the Group is encouraged to report through the reporting channels as prescribed in the policy. All cases will be dealt with in accordance with the policy and the investigation procedures.</p> <p>The policy is available on the Company's corporate website and intranet. It is reviewed regularly and was last updated in May 2018. No changes were made to the policy based on review conducted in 2019 by Management.</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 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>As at 31 December 2019, the Board comprised seven (7) Directors with four (4) Independent Directors and three (3) Non-Independent Directors. The Board has a majority Independent Directors. The Independent Directors provide unbiased views and objectivity in deliberations. They bring a wide range of experience and expertise to the Board and carry significant weight in the Board's decision on matters relating to the Group's affairs.</p> <p>The composition of 57% Independent Non-Executive Directors in our Board provides effective check and balance in the functioning of the Board to safeguard the interests of the Company and all stakeholders.</p> <p>The Board composition is well balanced to achieve the promotion of shareholders' interest and effective governance of the business.</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 4.2

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>During the financial year 2019, an Independent Director, Datuk Ishak bin Imam Abas has served on the Board for a cumulative term of 12 years as at 20 March 2019.</p> <p>In line with the provisions of the Board Charter, an independent third party was engaged to assess Datuk Ishak's continued independence in thought and mind. Based on the outcome of the independent assessment and recommendation of the Joint Remuneration and Nomination Committee, the Board having regard to the Board's personal interaction with Datuk Ishak viewed that the independence of Datuk Ishak had not been impaired and recommended to the shareholders for approval at the 14th Annual General Meeting (AGM) held on 14 May 2019 of his retention as Independent Director of the Company until the conclusion of the next AGM through a single-tier voting process. The resolution was approved by the shareholders holding majority votes of 97.85%. The strong support of the shareholders indicates that they value the contribution of Datuk Ishak as an Independent Director.</p> <p>The Board is of the opinion that the two-tier voting outlined in the Malaysian Code on Corporate Governance 2017 (MCCG) is not compatible with the provisions in Companies Act 2016 and Company's Constitution, as the right of the shareholders, including the right to vote, shall rank pari passu. An Ordinary Resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority both the Large Shareholders and other shareholders had voted in favour of such resolution as required under the MCCG.</p>

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>Appointments to the Board are based on objective criteria and good blend of competencies, proven skills, merit and abilities in their particular field of endeavour with due regard for diversity in expertise, age, cultural background, gender and outlook which benefits the operation of the Board as a custodian of the business and the needs of the Group. Due considerations are given to the individual's skills, industry experience and knowledge, character, integrity and time to effectively discharge his or her role and responsibilities.</p> <p>Diversity in relation to the Group's workforce is covered under the Equal Opportunity Policy of equal pay for equal value. Deleum is committed to provide fair and equal opportunity in employment and nurturing with the Group regardless of race, nationality, ethnic origin, age, religion or belief, gender, marital status, disability, or any other characteristic unrelated to the performance of the job. Recruitment and appointment of Senior Management and staff are based on a candidate's background, qualifications, experience and competency per the requirements of the job function taking into consideration workforce diversity and any applicable regulatory requirements.</p> <p>The Group is committed to the policy of equal pay for equal value and no divergence is tolerated on account of gender, age and/or ethnicity.</p> <p>The Board, assisted by the Joint Remuneration and Nomination Committee, is responsible for developing succession plans for Board and Senior Management positions to ensure there is an appropriate dynamic of skills, experience, expertise and diversity.</p> <p>As at 31 December 2019, the workforce of the Group comprised 2,194 employees in the proportion of 87.3% male and 12.7% female. The higher ratio of male employees is due to the nature of the Group's activities which are largely performed offshore. Currently, there are 46 employees holding senior management positions of the Group, of which 12 are female.</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 believes that the requirement for diversity in skills, experience, gender, age and ethnicity can bring a greater range of viewpoints to boardroom debate and improve board dynamics. In this regard, the Board will make the necessary appointment based on objective criteria and good blend of competencies, proven skills, merit, experience and knowledge and contribution to the overall working of the Board and the needs of the Group with due consideration on a candidate's cultural background, gender and age.</p> <p>The Company's Board Charter on gender diversity policy is to have at least one female Director. The Company has on 1 January 2015 appointed Datuk Noor Azian binti Shaari, its first female Director to the Board.</p> <p>The Board will endeavour to have greater women representation on the Board based on merits and effective blend of required skills, experience and knowledge in areas identified and the needs 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 4.6

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>Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, major shareholders, Management and independent advisors and networks from various parties.</p> <p>In general, the Board appoints its members through a selection process which involves the identification of candidate for directorship, evaluation and deliberation of suitability of candidate by the Joint Remuneration and Nomination Committee and recommendation to the Board.</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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee of Deleum is combined with the Remuneration Committee and known as Joint Remuneration and Nomination Committee (JRNC). The JRNC is chaired by Datuk Ir (Dr) Abdul Rahim bin Hashim, the Senior Independent Director.	
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 Joint Remuneration and Nomination Committee (JRNC) and facilitated by the Company Secretaries, annually assesses the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director.</p> <p>In January 2020, questionnaires were digitalised for completion by each member of the Board and Board Committees for online assessment in respect of the Board of Directors, individual Directors and Board Committees for the financial year 2019. The parameters used in the assessment are as below:</p> <ul style="list-style-type: none">• Board as a whole - structure, operation and interaction as well as Board's roles and responsibilities;• Individual Directors - contribution to interaction, quality of input, understanding of his/her role and training needs;• Independent Directors are further measured on his/her ability to exercise independent judgement and ability to demonstrate the values and principles associated with independence; and• Board Committees namely Audit Committee, JRNC and Board Risk Committee - structure and composition, operation and interaction, accountability and responsibilities. <p>During the meeting held in February 2020, summary of results of the assessments were tabled at the JRNC meeting for deliberation. Subsequently, the Chairman of the JRNC made an oral presentation to the Board based on the results of the assessments at the Board meeting held on 26 February 2020.</p> <p>The outcome of the evaluation highlighted certain key focus areas and future priorities for the Board's consideration, including the following:</p> <ul style="list-style-type: none">• Enhancement of board papers and presentations with more concise and clear presentation materials.• Greater sharing of knowledge on technology and cyber

	<p>security matters.</p> <p>At the Board meeting held on 26 February 2020, the Board confirmed that:</p> <ul style="list-style-type: none"> • The Board's size and composition is appropriate given the scale of the Group's business and operations, and well balanced, thereby constituting an effective Board able to discharge its duties professionally and efficiently; • Individual Directors of the Company possessed the required competence and character to manage the Group's affairs and created value for the organisation and its shareholders; and • The Board Committees are effective in discharging their duties and responsibilities in accordance with their Terms of Reference. 	
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 Company has in place procedures to determine the remuneration of Executive Director and Senior Management as follows:</p> <ol style="list-style-type: none">1. Group Managing Director (GMD)'s remuneration is reviewed and deliberated by Joint Remuneration and Nomination Committee (JRNC) and approved by the Board of Directors on recommendation of the JRNC.2. Senior Management's remuneration is proposed and recommended by GMD and presented to JRNC for review and recommendation to Board for approval. <p>Where the Senior Management personnel is not direct reportee of GMD, the Chief Executive Officers of the Group or the functional heads will propose and give recommendation to GMD.</p> <p>The Company has in place a remuneration framework for the Executive Directors and the Key Senior Management personnel which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The objective of the Group's remuneration policies is to provide fair and competitive remuneration to its Board and Senior Management for retaining a high-quality team for the Group.</p> <p>The Non-Executive Directors' Remuneration Framework and the Remuneration Framework for Executive Directors and Key Senior Management are available on the Company's corporate website. The detailed remuneration of GMD, Non-Executive Directors and the top (5) Key Senior Management personnel are disclosed in the CG Overview Statement on pages 54 to 57 of the Annual Report.</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	:	<p>The Joint Remuneration and Nomination Committee (JRNC) reviews and recommends matters relating to the remuneration of Board and Senior Management.</p> <p>The JRNC has written Terms of Reference which deals with its authority and duties and is available on the Company's corporate 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

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 details of the remuneration of each individual Director on named basis are disclosed in the CG Overview Statement on pages 55 to 56 of the Annual Report.	
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 7.2

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>While the Company notes the need for corporate transparency on the remuneration of key senior management executives, the disclosure of details on a named basis may be detrimental to its business interests, given the competitive human capital environment for personnel with the requisite knowledge, expertise and experience of the Company's business activities.</p> <p>The Board believes that the interest of the shareholders will not be prejudiced as a result of the non-disclosure on a named basis the remuneration within the disclosure bands of the Group's top five (5) senior management who are not Directors.</p> <p>To provide an insight of the level of remuneration paid to the top five (5) senior management, the alternative disclosure is adopted whereby their aggregate total remuneration with breakdowns and in the bands RM50,000 in number are disclosed in the CG Overview Statement on page 57 of the Annual Report instead of on named basis. This is in line with the spirit of the disclosure guidelines and in the interest of the employees concerned and shareholders.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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 Company's Audit Committee is neither the Chairman of the Board nor other Board Committees as the Board acknowledges that the Audit Committee should function as an independent and objective body to ensure the integrity of financial reporting process and accounting records of the Group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board and the Audit Committee has a policy requiring a former engagement audit partner to observe a cooling-off period of at least two (2) years before being appointed 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	:	<p>The Group has a policy to assess the suitability, objectivity and independence of the external auditors. The Audit Committee (AC) reviewed and evaluated the suitability, performance and independence of the external auditors with feedback obtained from the AC members, Management, and senior Finance personnel engaged with the audit. Self-assessment by the external auditors, M/S PricewaterhouseCoopers PLT (PwC) was also carried out for this purpose. Summary of the results of the completed questionnaires were tabled to the AC for review and deliberation at the AC meeting. The evaluation of the external auditors covered the areas of:</p> <ul style="list-style-type: none">• governance and independence;• communication and interaction with the AC with focus on their audit planning/audit strategy, audit findings/audit finalisation and completion;• quality of services and sufficiency of resources in respect of the firm, processes, technical knowledge and competency of the audit team; and• audit fee. <p>In the evaluation, the AC also takes into account the relevant professional and regulatory requirements, the effectiveness of the audit process and the relationship with the external auditors as a whole, including the provision of any non-audit services.</p> <p>As part of the annual audit exercise, the Company had obtained written assurance from PwC confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. PwC has complied with the requirement of the Malaysian Institute of Accountants and the firm's Guidelines in rotating audit partners every seven (7) years. A former engagement audit partner will not be eligible for Board appointment until he or she has observed a cooling-off period of at least two (2) years.</p> <p>The Group also restricts the employment of former employees of the external auditors unless a cooling-off period of at least two</p>

	<p>years is observed to ensure independence of the external auditors and for avoidance of any conflict of interest. During FY2019, no employment was offered to any former partner and/or staff of PwC.</p> <p>The non-audit services conducted during FY2019 comprised mainly tax services and forensic investigation towards an alleged employee misconduct. As a policy, before appointing the external auditors to undertake any non-audit services considerations would be given as to whether this would create a threat to the external auditors' independence or objectivity. The Management is obliged to obtain confirmation from the external auditors on their independence. All engagements of the external auditors to provide non-audit services are subject to the approval of the AC.</p> <p>The amount of audit fees and non-audit fees paid/payable to PwC or a firm or corporation affiliated to PwC by the Company and the Group respectively in respect of FY2019 were as follows:</p> <table><tr><td></td><td>Company (RM)</td><td>Group (RM)</td></tr><tr><td>Statutory audit fee</td><td>299,000</td><td>620,600</td></tr><tr><td>Non-audit fee</td><td>8,600</td><td>176,878</td></tr></table> <p>The provision of non-audit services by PwC during FY2019 did not compromise its independence and objectivity as the non-audit services was conducted by different teams from the statutory audit team of PwC. The AC concluded that it continues to be satisfied with the performance of PwC and that throughout the year the objectivity and independence of PwC in relation to the audit was not in any way impaired by either the nature of the non-audit related services, the level of non-audit fees charged, or any other facts or circumstances.</p> <p>The Board on the recommendation of the AC, is satisfied that PwC remains effective, objective and independent in carrying out its role as external auditors of the Company. The Board has at the Board meeting held on 26 February 2020 approved the AC's recommendation for the re-appointment of PwC for the ensuing year to be tabled at the Fifteenth Annual General Meeting for shareholders' approval.</p>		Company (RM)	Group (RM)	Statutory audit fee	299,000	620,600	Non-audit fee	8,600	176,878
	Company (RM)	Group (RM)								
Statutory audit fee	299,000	620,600								
Non-audit fee	8,600	176,878								
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 comprises solely of three (3) 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 Audit Committee (AC) comprised three (3) Independent Non-Executive Directors who come from different professional and business backgrounds. The Chairman and a member of the AC are from the accounting background and are members of the Malaysian Institute of Accountants.</p> <p>The members of the AC have sufficient understanding of the Group's business to continuously apply a critical and probing view on the Company's financial reporting process, transactions and other financial information.</p> <p>The members of the AC attended ongoing training and development. During the financial year 2019, the AC members attended seminars, conferences and training sessions offered by regulators and other appropriate bodies or organisations including the following:</p> <ul style="list-style-type: none">- Building Corporate Longevity- Special Programme for Voluntary Disclosure Corporate & Individual Taxpayers- Cyber Security in the Boardroom - Accelerating from Acceptance to Action- Case Study Workshop for Independent Directors- International Directors Summit 2019- MIA Conference 2019- Session on Corporate Governance & Anti-Corruption- Briefing Session on Corporate Liability Provision- Audit Oversight Board - Conversation with Audit Committees
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board through the Board Risk Committee (BRC) oversees the implementation of the Group's risk management framework. It ensures the Group has in place a sound enterprise risk management framework and such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.</p> <p>The Group has established the Enterprise Risk Management (ERM) Framework which is consistent with The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) ERM framework in running the risk management functions. The Group has also adopted the Project Risk Management Guideline.</p> <p>In April 2017, with the recommendation of the BRC, the Company set up a Management Risk Committee with the objective of charging Management with managing risk on a day to day basis.</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 Board through the Statement on Risk Management and Internal Control has described how risk management and internal control frameworks have been effectively implemented through the establishment of Board Risk Committee (BRC) and Management Risk Committee (MRC).</p> <p>The BRC shall review the effectiveness of the risk management process and reports arising from risk management activities. The MRC was established to manage risks on a dynamic basis given that risks are inherent in Deleum's businesses.</p> <p>Risk activities conducted during the year included the following:</p> <ol style="list-style-type: none">1. Management of Group's key risk;2. Control Self-Assessment Checklist;3. Risk sessions; and4. Business Continuity Management. <p>The Board has put in place various control structure such as:</p> <ol style="list-style-type: none">1. The Board Committees with defined responsibilities;2. Strategic business planning, budget and reporting;3. Group values and Code of Business Conduct;4. Whistleblowing policy;5. Anti-Bribery Management System;6. Authorisation limits;7. Documented internal policies and procedures;8. Quality Management System (QMS) and Environmental Management System (EMS) Audit; and9. Corporate Secretariat and compliance. <p>Detailed information on the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control on pages 60 to 66 of the Annual Report.</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 9.3 - 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 Board Risk Committee (BRC) was established since July 2009.</p> <p>The BRC has a majority Independent Directors comprising two (2) Independent Directors and one (1) Non-Independent Director.</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>The Company engaged the services of BDO Governance Advisory Sdn. Bhd. (BDO), a well-established firm that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors, as the outsourced Internal Audit Function (IAF). The IAF reports directly to the Audit Committee (AC) and is independent of Management. It has full access to the Group's entities, records and personnel.</p> <p>The IAF is effective and able to function independently of the activities it audits. It has, and has exercised, direct access to the members of the AC as deemed necessary.</p> <p>The leaderships and key members of the IAF team have worked on the Company's internal audit engagements consistently and has built up a good understanding of the Group's business and the peculiarities of the industry in which the Group operates.</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 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>As disclosed in Practice 10.1 above, the Audit Committee is supported by BDO Governance Advisory Sdn. Bhd. (BDO) as the outsourced Internal Audit Function (IAF). The IAF is free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>BDO has no relationship with the Group and is independent from Management, staff, Directors and substantial shareholders. The Audit Committee is of the opinion that BDO is independent and objective in carrying out its role as IAF.</p> <p>The IAF is carried out in accordance with The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. In carrying out the internal audit for the Group, the IAF team is headed by Mr Sanjay Sidhu, an Executive Director of BDO who possesses the relevant qualifications and experience and assisted by no fewer than four (4) staff including a senior manager.</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	:	<p>The Board values the need to have effective open dialogue with its stakeholders and has established processes to ensure disclosures and announcements and other communications made are clear, accurate, relevant and timely for the stakeholder to make informed decisions and enjoy equal access to the information.</p> <p>During the financial year 2019, the Group held two (2) analyst briefings to provide updates to the investment community. Additional group briefings, private meetings, tele-conferences, and media related interviews were also held as and when required. At Annual General Meeting, the Chairman provided ample time for shareholders to participate in the Questions and Answers session.</p> <p>Deleum's corporate website at www.deleum.com provides quick access to Deleum's corporate information, financial results, governance information, statutory announcements, stock information, press releases and corporate related activities and is regularly updated to incorporate the latest development of the Group. The website also has an e-mail alerts service where shareholders and anyone who are interested may register to receive the latest announcements on the Group via e-mail.</p> <p>Details on the shareholders and investors relations are disclosed in Section C – "Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders" of the CG Overview Statement on pages 58 to 59 of the Annual Report.</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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	As Deleum Berhad is not under the "Large Companies" category, it has not adopted integrated reporting.	
<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 last Annual General Meeting (AGM) was held on 14 May 2019 and the Notice convening the AGM was sent to shareholders on 15 April 2019 which is more than 28 days prior to the AGM in accordance with the Malaysian Code on Corporate Governance 2017. It also meets the criteria of the Listing Requirements and Companies Act 2016, which require the Notice of AGM to be sent 21 days prior to the AGM.</p> <p>The Fifteenth AGM shall be scheduled at a later date and notice of the meeting shall be issued accordingly.</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	:	All Directors including the Chairman of the Audit Committee, Joint Remuneration and Nomination Committee and Board Risk Committee and Key Senior Management as well as the external auditors were present at the last Annual General Meeting held on 14 May 2019.	
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

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	:	<p>Deleum Berhad having a shareholder base of approximately 5,000 is not considered as having a large number of shareholders.</p> <p>Voting in absentia is not applied as Annual General Meeting (AGM) have always been held at the same venue at Sime Darby Convention Centre, Kuala Lumpur for the past many years which is easily accessible and familiar to most shareholders. The need to leverage and adopt the latest technology at the last AGM was considered not viable.</p> <p>The Company had leveraged on the technology to facilitate electronic voting for the conduct of poll voting for all resolutions at AGM since 2017 AGM. The poll results of each resolution were announced to Bursa Securities after the AGM via Bursa LINK on the same day and posted on the Company's corporate website.</p> <p>Summary of key matters discussed at the last AGM held on 14 May 2019 were made available on the Company's corporate website.</p> <p>Shareholders who are unable to attend the meetings can appoint any person(s) as their proxies to attend and vote on their behalf.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

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