

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 7071  
**COMPANY NAME** : OCR GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2018

## **OUTLINE:**

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the performance and affairs of the Group and to provide leadership and guidance for setting strategic direction of the Group that including:</p> <ul style="list-style-type: none"> <li>• Review, evaluate, adopt and approve the strategic plans and policies;</li> <li>• Oversee and monitor the conduct of the business and financial performance;</li> <li>• Review and adopt budgets and financial results;</li> <li>• Review and approve any major corporate proposals, new business ventures and joint-ventures;</li> <li>• Review, evaluate and approve any material acquisitions and disposals of undertakings and assets;</li> <li>• Identify principal risks and assess the appropriate risk management systems to be implemented to manage these risks;</li> <li>• Establish and oversee the succession planning;</li> <li>• Undertake various functions and responsibilities as specified in guidelines and directives issued by the regulatory authorities such as Bursa Securities from time to time; and</li> <li>• Develop a corporate code of conduct to address, amongst others, any conflicts of interest relating to directors, major shareholders and/or management.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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>YAM Tunku Azudinshah is the Chairman of the Board.</p> <p>The Chairman's responsibilities include the following:</p> <ul style="list-style-type: none"><li>• Represent the Board to shareholders.</li><li>• Provide Board leadership on policy formation and decision-making.</li><li>• Oversee and maintain regular dialogue with the Managing Director and chief executives.</li><li>• Ensure the integrity and effectiveness of the governance process of the Board.</li><li>• Ensure that management proposals are deliberated and examined by the Board, taking into account stakeholders' interests.</li><li>• Conduct and facilitate meetings of the Board to ensure that appropriate discussions take place and that relevant opinions among Board members are forthcoming.</li><li>• Organise information necessary for the Board to deal with the agenda and ensure that directors have full and timely access to information.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and Group Managing Director ("MD") are held by two different individuals, namely YAM Tunku Azudinshah and Mr. Ong Kah Hoe respectively.</p> <p>The Chairman is elected by the Board and will chair all Directors' and shareholders' meetings of the Company. The Chairman will ensure that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted.</p> <p>The Group MD has overall responsibility for the Group's operational and business units, organisational effectiveness and implementation of board policies, directives, strategies and decisions. The Group MD also functions as the intermediary between the Board and the Management in that he ensures that Board decisions are carried out by Management.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In exercising their duties, directors have access to information within the Company and to the advice and services of the company secretary. The company secretary also updates directors on statutory and regulatory requirements relating to the discharge of their duties and responsibilities.</p> <p>The Company Secretary is a member of the Malaysian Institute of Chartered Secretaries and Administrators and is qualified to act as Company Secretary pursuant to Section 235(2) of Companies Act, 2016.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The company endeavours to issue the agenda and board papers in sufficient time prior to Board meetings (at least a week) to enable directors to appreciate the issues to be deliberated upon and where necessary, obtain any further explanation required.</p> <p>Minutes are drafted and reviewed before circulation to other Board members. The minutes are then confirmed at the next Board meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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 objective of the Group's Board Charter is to provide a guide and sets out the guidelines on the manner in which the Board's constitutional powers and responsibilities will be exercised and discharged and also, outlines the core principles of corporate governance to which the Group adopts and to which each Director or the Directors collectively, as the case may be, should strive for.</p> <p>The Board reviews its Charter annually to ensure it remains relevant and consistent with the Board's objectives and responsibilities and the prevailing standards of corporate governance.</p> <p>A copy of Board Charter is made available on OCR's website at <a href="http://www.ocrbhd.com">www.ocrbhd.com</a>.</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 will continue to adhere to the "Code of Ethics for Company Directors" established by the Companies Commission of Malaysia which is based on the following principles:</p> <ul style="list-style-type: none"><li>• Compliance with legal and regulatory requirements and Group policies;</li><li>• Observance of the Board Charter;</li><li>• Duty to act in the best interest of the Group;</li><li>• Honest and integrity;</li><li>• No conflict of interest;</li><li>• No-profit rule; and</li><li>• Relationships with stakeholders.</li></ul> <p>Key elements of its Code of Ethics are set out in the Group's Board Charter, a copy of which is available on the Company's website at <a href="http://www.ocrbhd.com">www.ocrbhd.com</a></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.

Application	:	Applied	
Explanation on application of the practice	:	A whistleblowing policy was adopted by the Company in year 2017 which has been incorporated in the employee handbook. This was also progressively adopted by the respective business units throughout the Group. The whistleblowing policy is designed to enable employees to raise concerns without fear of retribution; it provides a transparent and confidential process for dealing with concerns.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	There are nine (9) directors on the Board, of whom half of them are independent.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	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.

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has adopted 9 years and after 12th year policy for independent Non-Executive Directors and taking into account the need for progressive refreshing of the Board.</p> <p>Currently, the Company did not have independent directors whom serve more than 9 years.</p>

**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>	:	The Board strives to achieve a balance and mix of skills, experience and perspectives amongst its directors, to collectively bring a range of experience, business, financial and technical expertise for effective oversight of the Group’s businesses, and fulfil the Board’s duties and responsibilities.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges the importance of gender diversity in Board. However, the Board has yet to adopt any formal gender diversity policy in the selection of new Board members/new Senior Management and also does not have specific policy on setting targets for female candidates. The Board evaluates a candidate of new Board member/new Senior Management by considering various factors including skill and expertise, personal qualities, age, educational qualification and capability to discharge duly effectively.</p> <p>The Group will continue to identify suitable candidates for appointment to the Board as and when vacancies arise.</p> <p>Going forward, gender diversity will be one of the factors to be considered in evaluating prospective candidates when a board vacancy arises.</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>		
<b>Timeframe</b>		

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The proposed appointment of a new member to the Board will be deliberated on by the full Board based upon the recommendation of the Nominating Committee.</p> <p>Before any recommendation is made to the Board, the Nominating Committee will evaluate a candidate by considering the following:-</p> <ul style="list-style-type: none"><li>• skills, knowledge, expertise and experience;</li><li>• character, integrity, professionalism;</li><li>• competence and time to effectively discharge his role; and</li><li>• in the case of candidates for the position of independent non-executive directors, the Committee should also evaluate the candidates' ability and commitment to discharge such responsibilities/functions as expected from independent non-executive directors.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nominating Committee is chaired by YAM Tunku Azudinshah Ibni Tunku Annuar, an Independent Director of the Company. During the year, YAM Tunku Azudinshah had led the annual review of Board effectiveness for financial year 2018, in order that independent assessment of the performance of each individual Director as well as of the Board as a whole were carried out amongst all the Board Members.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee assesses the effectiveness of the Board as a whole and the contribution of each Board Committee as well as each individual director on an annual basis and to ensure that the Board and its respective Board Committees has the appropriate balance of expertise and ability.</p> <p>The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of the Company. Annual review is conducted to assess the required mix of skills, experience and other qualities including core competencies which the executive and non-executive directors of the Company should bring to the Board, identify areas for improvement and review the succession plan for senior management in the Group.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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	:	The Remuneration Committee of the Company was set up with the primary function to set up the policy framework for recommending to the Board on remuneration packages and other terms of employment of the executive directors.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee comprise of three (3) Non-Executive Directors and two (2) Executive Directors, it complies with its term of reference.</p> <p>The term of reference of Remuneration Committee is available on its website, <a href="http://www.ocrbhd.com">www.ocrbhd.com</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Executive and Non-Executive Directors' remuneration had been presented in group with categories and bands in order to retain the privacy of Directors.</p> <p>As the remuneration packages of the Executive Directors of the Company generally follow the Executive Compensation Package of the Group while the directors' fee for Non-Executive where determined by the Company followed by the shareholders' approval during AGM. The remuneration is deemed fair and reasonable.</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>	:	
<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.

Application	:	Not applicable - Step Up 7.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:	The Board had decided not to disclose the details of senior management's remuneration packages. The Board considers the information of the remuneration of senior management to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's effort in retaining executive talents.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The top five senior management's remuneration packages generally follow the Executive Compensation Package of the Group. In order to retain the privacy of the top five senior management, no disclosure was made.

**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>	:	<p>AC comprises of three (3) Independent Non-Executive Directors.</p> <p>The AC Chairman, Mr. Yap Sing Khon, is a member of the Malaysian Institute of Accountants and he is not the Chairman of the Board. His qualifications and experience are set out in his profile on page 9 of the Annual Report 2018.</p> <p>This practice meets with the Main Market Listing Requirements ("MMLR") whereby all the AC Chairman and members are non-executive directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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	:	OCR has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two years. Hence there is no such person being appointed as a member of AC.	
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 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>AC meets with representatives of Messrs. Crowe Malaysia ("Crowe"), the external auditors of the Company, for a private discussion without the presence of executive board members and employees of the Company at least twice during each financial year.</p> <p>AC also undertook the annual assessment of the suitability and independence of the external auditors by considering the factors mentioned below to arrive at its recommendation on the re-appointment of Crowe as the Group's auditors for the ensuing financial year.</p> <p>Factors considered in its decision to recommend the re-appointment of Crowe as external auditors of the Group included adequacy of Crowe's experience and resources to effectively carry out the audit on the Group, the level of professionalism of its staff assigned to the Group, assurance of the audit independence and objectivity of Crowe and the level of non-audit services rendered by Crowe to the Group during the financial year ended 31 December 2018; all of which Crowe fared satisfactorily.</p> <p>The Board had on 11 April 2019 accepted the recommendation from AC and approved the proposal to the shareholders at the 21st AGM for the re-appointment as external auditors of the Company to audit the Group for the financial year ending 31 December 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**

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>	:	All three (3) AC members are independent 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of AC possess a mix of skills, knowledge and experience to enable them to discharge their duties and responsibilities. An annual self and peer evaluation of AC is carried out and reviewed by the Nominating Committee.</p> <p>Trainings attended by AC members during 2018 could be found on pages 32 and 34 of the Annual Report 2018.</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 9.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	A formal enterprise risk management framework has been established to proactively identify, evaluate and manage key risks to an optimal level.	
<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 Board is responsible for the oversight the risk management and internal control to ensure the effective compliance to policies and procedures and operating standards of the Group.</p> <p>The Group has an established risk management framework to determine and control the risk to achieve the objectives of the Group.</p> <p>Further details on the Board's overall oversight to the risk management and internal control to mitigate and manage those risks are provided in the Statement on Risk Management and Internal Control on Pages 54 to 59 of the Annual Report 2018.</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 9.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	Risk Management Committee are comprises of the Group MD, Mr. Ong Kah Hoe, with two (2) senior management, Mr. Tan Ban Tatt and Mr. Tang Hang Lee

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit ("IA") function of the Group is outsourced to a professional service firm, namely NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"), which reports functionally to AC.</p> <p>AC reviews the adequacy of the internal audit scope and competency, experience and resources of IA in 27 June 2018 to ensure that the responsibilities of IA are fully discharged.</p> <p>The IA engagement of Needsbridge is governed by their engagement letter with key terms which include the purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to NeedsBridge, limitation of scope of works, confidentiality, proposed fees and engagement team.</p> <p>Further details of the IA activities are set out in the Audit Committee Report and Statement on Risk Management and Internal Control of the OCR's 2018 Annual Report. .</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 Company's IA function has been outsourced to a professional service firm, namely NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"), who report to AC directly.</p> <p>The IA function consists of 9 personnel which including director, manager and consultant. The engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia.</p> <p>Two (2) UAs followed by two (2) IA follow up will be carried out by NeedsBridge in a year, in material aspects, in accordance with International Professional Practices Framework established by the Institute Auditors Global.</p> <p>None of the internal audit personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The information on the Group's financial performance and/or major developments is disseminated to the public as soon as practicable via appropriate channels of communication.</p> <p>The main channel of transmitting information on the Group, such as its latest announcements, is the website of Bursa Securities at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> and also the Company's website at <a href="http://www.ocrbhd.com">www.ocrbhd.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the opinion that there must be sufficient timeframe for integrated reporting to be better understood and appreciated by management; and that there should be minimal duplication of the same information which is required to be disclosed pursuant to other legislation.	
		The annual report presently contains financial and non-financial information which may be considered to provide a fairly comprehensive overview of the Group.	
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 12.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is complying with Paragraph 7.15 of MMLR of Bursa Malaysia Securities Berhad and its Articles of Association with at least 21 clear days’ notice for Annual General Meeting.	
		The present practice of 21 clear days’ notice is adequate and reasonable and all shareholders of the Company will receive the annual report on time.	
<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>Save for Datuk Azrulnizam bin Abdul Aziz, Mr. Tee Tze Chern, JP, Mr. Lee Chin Cheh and Mr. Yap Sing Khon who were unable to attend 20th AGM held on 13 December 2017, all Directors, including members of AC and Nominating Committee, were presented at the said AGM to respond to the shareholders' queries.</p> <p>In addition, the External Auditors, Messrs. Crowe Malaysia, also attended the said AGM and were available to answer questions relevant audit processes.</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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AGM of OCR is always held at Level 16, Persoft Tower, 6B Persiaran Tropicana, Tropicana Golf and Country Resort, 47410 Petaling Jaya, Selangor. The venue is easily accessible as it is familiar to most shareholder of the Company.</p> <p>OCR has about 1,639 holders holding its securities as at 29 March 2019, and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>In accordance with Paragraph 8.29A of the MMLR, all resolutions set out in the Notice of 20th AGM were put to vote by poll. The results of votes were validated and results were presented to the shareholders at the said AGM. The same practice will be remaining for 21st AGM.</p> <p>OCR had appointed Symphony Share Registrars Sdn. Bhd. ("Symphony") as Poll Administrator to conduct the polling process, and Coopers Professional Scrutineers Sdn. Bhd. ("Coopers") as Scrutineers to verify the poll results.</p> <p>Upon verification of the poll results, Coopers announced the results for each resolution, which include votes in favour and against, upon which the Chairman of the Meeting declared whether the resolutions were carried. The poll results were also announced by Bursa Malaysia via Bursa LINK on the same day for the shareholders.</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>	:	

## **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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