

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 6076  
**COMPANY NAME** : Encorp 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 strategic direction of the Group and the overall management of the Company</p> <p>The Board has the following principal responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company:</p> <ul style="list-style-type: none"><li>• Reviewing and approving the business plan and overall strategic directions;</li><li>• Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;</li><li>• Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;</li><li>• Succession planning;</li><li>• Developing and implementing an investor relations programme or shareholders' communications policy for the Company;</li><li>• Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and</li><li>• Ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility.</li></ul> <p>The Board established clear functions reserved for the Board and those delegated to management. The Limits of Authority of the Company specify the parameters within which the management decisions are to be made whilst the matters which are specifically reserved for the Board include, amongst others, the approval of business strategies, major acquisitions and disposals, financial results and Board appointments.</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 1.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role, co-ordinates the work of the Board and its committees and ensures that the Board members are provided with timely information relevant for performing their duties and responsibilities.</p> <p>The roles and responsibilities of the Chairman are as outlined in Paragraph 4.8(a) of the Board Charter, which is available at the Company's website at <a href="http://www.encorp.com.my">www.encorp.com.my</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**

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>During the financial year ended 31 December 2018, the position of Chairman is held by Hussein bin Ismail. In the absence of Group CEO, the EXCO acts as a conduit between the Board and the Management in ensuring the success of the Company’s governance and management functions.</p> <p>The distinct roles and responsibilities of the Chairman and Group CEO are clearly stated in Paragraph 4.8 of the Board Charter, which is available at the Company’s website at <a href="http://www.encorp.com.my">www.encorp.com.my</a></p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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>Ms Lee Lay Hong has legal qualification and is qualified to act as Company Secretary under Section 235(2) of the Companies Act, 2016.</p> <p>Ms Lee plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation for the affairs of the Board. The Board is regularly updated by the Company Secretary on new statutory and regulatory requirements.</p> <p>Besides playing an advisory role, the Company Secretary serves notice to the Directors and principal Officers to notify them of closed periods for trading in the Company's shares so as to ensure that all dealings and disclosures by Directors and principal Officers are in adherence to Chapter 14 of the Main Market Listing Requirements.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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 notice and agenda of Board meetings are sent to the Directors via email at least 7 days prior to the meetings. Board reports and papers are circulated to the Directors immediately upon receipt of the same from Management, for the Board’s review.</p> <p>Upon conclusion of the Board meetings, the Company Secretary will circulate the minutes to the Chairman of meeting within a reasonable period of time for his review.</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 Board has adopted a Board Charter which was last reviewed on 26 February 2019. The Board Charter primarily sets out the Board's strategic intent and outlines the Board's roles and responsibilities, to ensure that all Board members are aware of their fiduciary duties and responsibilities, legislations and regulations affecting their conduct.</p> <p>The Board Charter aims to promote highest standards of corporate governance within the Group, so that the interests of the shareholders, customers and other stakeholders are safeguarded.</p> <p>The Board Charter is available at the Company's website at <a href="http://www.encorp.com.my">www.encorp.com.my</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 had adopted and implemented a Code of Ethics and Conduct to promote the corporate culture which engenders ethical conduct that permeates throughout the Group.</p> <p>The conduct of the Directors, management and employees of the Group are governed by the Code of Ethics and Conduct which provides clear direction on conduct of business and general workplace behavior. It includes, amongst others, guidance on health and safety, disclosure of conflict of interest, maintaining confidentiality and gift and business courtesies.</p> <p>The Group communicates its Code of Ethics and Conduct to all Directors, management and employees, copy of which is also available at the Company's website at <a href="http://www.encorp.com.my">www.encorp.com.my</a></p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of its commitment to uphold the highest standards of ethics, integrity and accountability, the Company has formalised a Whistle Blowing Policy. This is essentially a mechanism to enable the employees to disclose internally any serious malpractice or misconduct without fear of reprisal. This policy provides a safe and acceptable platform for employees to channel their concerns about illegal, unethical or improper business conduct affecting the Group.</p> <p>If any employee believes reasonably and in good faith that malpractice exists in the work place, the employee should report this immediately to the line manager. However, if for any reason the employee is reluctant to do so then the employee should report the concerns to the following nominated persons:</p> <ul style="list-style-type: none"> <li>• Audit and Risk Committee Chairman; or</li> <li>• Company Secretary</li> </ul> <p>The whistle-blower identities are kept confidential and the whistle-blower will not be at risk to any form of reprisal as a result of raising a concern. If an investigation is necessary, depending on the nature of the misconduct, an investigation may include internal reviews, reviews by the external auditors or lawyers or some other external body.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board comprises one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Director and two (2) Independent Directors, in compliance with Practice 4.1.
<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 4.2

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>	:	The Company's Board Charter states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's redesignation as a Non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval at General Meeting in the event it retains the Director as an Independent Director.

## Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>When appointing a Director or senior management, the Nominating and Remuneration Committee and the Board will consider the background, gender, age, experience, skill, competency, knowledge and potential contribution of the candidate.</p> <p>The Nominating and Remuneration Committee recommends suitable candidate for appointment to the Board, the appointment of which will be decided upon by the Board as a whole to ensure a balanced mix of experience and expertise amongst its members.</p> <p>Thereafter, the Board carries out its own assessment based on the recommendations made by the Nominating and Remuneration Committee and determines the appointments to be made.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board has established a Board Diversity Policy to ensure that through the Nominating and Remuneration Committee, selection and appointment of new board member take into the consideration the candidates from a wide variety of background, without discriminating based on gender, age, ethnic, marital status and religion but on the required mix of skill, knowledge and professional experience which the new director should bring to the Company.	
		The Board is mindful of Practice 4.5 of the Code and will ensure that suitable women candidates are sought and considered as part of the recruitment exercise. This will be done over time, taking into account the present size of the Board, the merit and suitability of female candidates and the evolving challenges to the Company from time to time.  During the financial year ended 31 December 2018, the Nominating and Remuneration Committee has assessed a women candidate for appointment as Independent Director.	
<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>In considering candidates for directorship, the Nominating and Remuneration Committee does not solely rely on recommendations from existing board members, management or major shareholders. The Nominating and Remuneration Committee would further review the candidate's profile and take into consideration the candidates' skills, knowledge, expertise, experience, time, commitment, character, professionalism and integrity.</p> <p>The Board will also consider to utilise the independent sources such as open advertisements in identifying suitably qualified candidate, as and when the need arises.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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 and Remuneration Committee is chaired by Encik Abdul Rahim bin Abdul Hamid, the Independent Director.	
<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 Board implemented an evaluation process, for assessing the effectiveness and competencies of the Board as a whole.</p> <p>The process is carried out via customised evaluation forms sent to directors pertaining to Board Effectiveness, Board Committees Effectiveness and Directors' Self Competencies.</p> <p>The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Board for review and notation.</p> <p>The Board was satisfied with the results of the annual assessment and that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills. The Board was also satisfied with the Board composition comprising individuals of high caliber, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Directors' Remuneration Policy was adopted by the Board on 26 November 2015, which aims to attract, develop and retain high performing and motivated Directors with a competitive remuneration package.  A copy of Directors' Remuneration Policy is available at the Company's website at <a href="http://www.encorp.com.my">www.encorp.com.my</a>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nominating and Remuneration Committee ("NRC") is entrusted by the Board to review the remuneration packages for executive director, chief executive officer and senior management. The NRC also reviews and recommend to the Board the annual increments and bonuses of executive director and senior management.</p> <p>The NRC has written terms of reference ("TOR") which deals with its authority and duties, and these TOR are disclosed on the Company's website at <a href="http://www.encorp.com.my">www.encorp.com.my</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>	:	Applied
<b>Explanation on application of the practice</b>	:	A detailed disclosure on named basis for the remuneration of each director can be found under the Corporate Governance Overview Statement in the Company's Annual Report 2018.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Board is of the view that the disclosure on a name basis will give rise to recruitment and talent retention issues
		The remuneration component including salary, bonus, benefits in kind and other emoluments for the top six (6) Senior Management for the financial year ended 31 December 2018, are disclosed in bands of RM50,000 under the Corporate Governance Overview Statement in the Company's Annual Report 2018.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit and Risk Committee, Encik Abdul Rahim bin Abdul Hamid is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Audit and Risk Committee had formalised in its Terms of Reference that a former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least two (2) years before he/she is eligible for appointment as a member of the ARC.  Currently, no former key audit partner of the external auditors of the Company is appointed to the ARC.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established an External Auditors Policy to assess and monitor the external auditors.</p> <p>The External Auditors, Messrs Deloitte PLT has indicated to the Audit and Risk Committee that they are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and they have fulfilled other ethical responsibilities in accordance with the By-Laws and the IESBA Code.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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 Audit and Risk Committee ("ARC") comprises of members with diverse qualification, expertise and experience ranging from accounting, finance, banking and legal. Collectively, the ARC has the necessary skills and a wide range of experience and expertise in areas such as accounting and auditing, taxation and finance.</p> <p>Based on the outcome of the performance assessment on the ARC by the Nominating and Remuneration Committee ("NRC"), The NRC was satisfied that the ARC has been effective in discharging their stewardship responsibilities in meeting the needs of the Company during the period under review.</p> <p>All ARC members have attended the training, seminars and conferences during the financial year to acquire relevant knowledge that enables them to discharge their duties effectively. Trainings attended by the ARC members are outlined under the Audit and Risk Committee Report in the Company's Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Risk Management Committee comprises the Heads of Departments and Group's senior management, would report to the Audit and Risk Committee ("ARC") on a quarterly basis in respect of its identification, evaluation and management of significant risks impacting the Group.</p> <p>The ARC assists the Board in providing oversight over the Group's management of risk and reviews the adequacy of compliance and control throughout the Group.</p> <p>The Board recognises the pivotal role of a strong internal control system in keeping the Group on course towards its goal of maximizing shareholders' value. To this extent, the need for a strong internal control environment has been ingrained into the culture of the Group by the Board and management.</p> <p>The Statement on Risk Management and Internal Control furnished in the Annual Report 2018 provides an overview of the internal control within the Group during the financial year under review.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.2**

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>	:	The Statement on Risk Management and Internal Control as included in Annual Report 2018 provides the overview of the internal control framework adopted by the Company during the financial year ended under review.	
<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>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Company has been outsourced to an independent professional firm, BDO Governance Advisory Sdn Bhd to assist the Audit and Risk Committee (“ARC”) in discharging its duties and responsibilities. They act independently and with due professional care and report directly to the ARC.</p> <p>The internal audit provides risk-based and objective assurance on the adequacy and effectiveness of the risk management, internal control and governance processes.</p> <p>During the financial year ended 31 December 2018, the major activities carried out by the out-sourced internal audit provider were as follows:</p> <ul style="list-style-type: none"><li>• Performed risk-based internal audits on a quarterly basis as specified in the approved annual audit plan; and</li><li>• Issued quarterly internal audit reports to the Audit and Risk Committee detailing audit issues and recommendations for corrective actions to be adopted by Management, to overcome the deficiencies or to enhance controls. The identified key audit areas performed in 2018 are the following:<ul style="list-style-type: none"><li>• Internal control review of Property, Contract and Subcontractor Management</li><li>• Internal control review of Sales and Marketing Operations</li><li>• Internal control review of Asset Divestment for Encorp Strand Mall</li></ul></li></ul> <p>Details of the Internal Audit function are set out in the ARC Report in the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	



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

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

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The internal audit function of the Company has been outsourced to an independent professional firm, BDO Governance Advisory Sdn Bhd to assist the Audit and Risk Committee (“ARC”) in discharging its duties and responsibilities. They act independently and with due professional care and report directly to the ARC.</p> <p>The engagement director of the outsourced internal audit function is a Certified Internal Auditors (“CIA”) accredited by the Institute of Internal Auditors Global, and an engagement team of 2 members was deployed by the outsourced internal audit function for the internal audit carried out during the financial year. The members involved in the field works consist of a manager and consultants who are member of professional accounting bodies.</p> <p>Name and qualification of the engagement director for the outsourced internal audit function are as summarised below :</p> <p><u>Karthigayan Supramaniam</u> Executive Director, Advisory</p> <p><u>Education/Qualification</u></p> <ul style="list-style-type: none"> <li>• Associate Chartered Management Accountant, United Kingdom (ACMA)</li> <li>• Member of the Malaysian Institute of Accountants (MIA)</li> <li>• Certified Information Systems Auditor (CISA)</li> <li>• Certified Internal Auditor (CIA)</li> </ul> <p><u>Ang Ah Leck</u> Executive Director, Advisory</p> <p><u>Education/Qualification</u></p> <ul style="list-style-type: none"> <li>• Member of the Malaysian Institute of Accountants (“MIA”)</li> <li>• Member of the Malaysian Institute of Certified Public Accountants (“MICPA”)</li> <li>• Member of the Chartered Tax Institute of Malaysia (“CTIM”)</li> </ul>

	<p>The Internal audit is carried out, in all material aspects, in accordance to the International Professional Practices Framework established by the Institute of Internal Auditors Global.</p> <p>Details of the Internal Audit function are set out in the ARC Report in the Annual Report 2018.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## 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 Company recognises the importance of effective communication with shareholders, investors and the public in general. In this respect, the Company keeps shareholders, investors and the public informed through announcements, release of quarterly financial results, annual reports, circulars and general meetings. The Company has also implemented a Shareholders' Communication Policy to handle the process of handling queries from its shareholders.</p> <p>The Company maintains regular and effective communication with its shareholders and stakeholders by attending to shareholders' and investors' e-mails and phone calls enquiries, Company general meetings and other Company events. The Notice for the Company's Annual General Meetings provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their rights to appoint a proxy and information as to who may count as a proxy.</p> <p>The Company's website has a dedicated section that provides all relevant information on the Company which is accessible to the public. While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material information.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The notice of 19 <sup>th</sup> Annual General Meeting of the Company is circulated to the shareholders 28 days prior to AGM.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All directors attended the 18 <sup>th</sup> AGM held on 28.5.2018. The Directors present at the 18 <sup>th</sup> AGM presented opportunities for the shareholders to engage with each Director and also allowed the shareholders raised questions and concerns directly to the Directors.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The number of shareholders of the Company is not large for it to leverage on technology to facilitate the shareholders voting in absentia or having remote shareholders' participation at general meetings.	
	:	The 18th AGM was held at The Royale Chulan Damansara Hotel, Petaling Jaya. This venue was familiar to most of the shareholders of the Company as the 17 <sup>th</sup> AGM was also held at the same venue. Shareholders are entitled to appoint proxy/proxies to attend, participate, speak and vote on their behalf in their absence at a general meeting.	
<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.*

Not Applicable
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