

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : Komark  
**COMPANY NAME** : Komarkcorp Berhad  
**FINANCIAL YEAR** : April 30, 2019

## **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board sets the strategic direction of Komarkcorp Berhad ("Komark") ensuring that the necessary resources are in place for the Company to meet its objectives and that the Company's strategies are aligned to the interests of our shareholders and other stakeholders.</p> <p>In discharging its roles and responsibilities, the Board is guided by the Board Charter and is assisted by the Board Committees which have been established with clear Terms of Reference as stipulated in the Board Charter. The Board is also guided by the key matters reserved for the Board for its deliberation and decision to ensure that the direction and control of the Group's businesses are vested in its hands.</p> <p>The Board delegates the implementation of its strategies to the Company's Management. However, the Board remains ultimately responsible for corporate governance and the affairs of the Company.</p> <p>The Board approved the 2020 business and budget plan during its Board meeting held on 23 March 2019. The financial and operational performance of the businesses are discussed at every quarterly Board meetings as well as through regular updates by the Management where performance is monitored as to whether the business objectives are being met. The Management's performance is benchmarked against its ability to meet the budget.</p> <p>The Board sets KOMARK's values and standards and believes that effective corporate governance is based on honesty, integrity and transparency. The Board has established the Komark Code and Conduct and Ethics that requires all the Directors, officers and employees of the Group to observe, uphold and maintain high standards of integrity in carrying out their roles and responsibilities and to comply with the relevant laws and regulations as well as the Group's policies.</p>

	The Board also values dialogue with stakeholders and appreciates the keen interest of shareholders on Komark's performance. In this regard, the Board takes effective measures to disseminate timely and relevant information regarding the Company to stakeholders.	
<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 instilling, good corporate governance practices, leadership and effectiveness of the Board.</p> <p>KOMARK's Board of Directors is led by Mr Koh Hong Muan @ Koh Gak Siong, who is an Executive Chairman of the Company. He was appointed to the Board on 16 June 1997 and re-designated as an Executive Chairman on 16 June 2016. He is the founder of Komark Group of Companies and a major shareholder of KOMARK.</p> <p>Mr Koh Hong Muan @ Koh Gak Siong provides strong leadership and is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. He actively seeks the opinion of the Board members during the Board Meetings.</p> <p>The detailed roles and responsibilities of the Chairman are encapsulated in the Board Charter available on the Company's website at <a href="http://www.komark.com.my">www.komark.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>	:	Departure									
<b>Explanation on application of the practice</b>	:										
<b>Explanation for departure</b>	:	<p>Currently the Chairman of the Board has taken the role of CEO in operating the businesses of Komark and its subsidiaries ("the Group").</p> <p>Board decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group.</p> <p>Three (3) out of the five (5) Board members are independent, and supply a strong independent element to the decision-making process.</p> <p>Details of the Independent Directors as below:</p> <table border="1"><thead><tr><th>Name</th><th>Date of Appointment</th></tr></thead><tbody><tr><td>Ms Tan Lay Ching</td><td>8 June 2016</td></tr><tr><td>Mr Low Tuck Meng</td><td>8 June 2016</td></tr><tr><td>En Ihsan Bin Ismail</td><td>Appointed on 8 January 2009. He was resigned on 16 August 2013 and subsequently reappointed on 23 September 2013</td></tr></tbody></table> <p>The Chairman ensures all Independent Directors have an opportunity to provide input on the agenda and ensure the Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items. The majority Independent Directors appointed to provide a capable check and balance for the executive directors.</p>		Name	Date of Appointment	Ms Tan Lay Ching	8 June 2016	Mr Low Tuck Meng	8 June 2016	En Ihsan Bin Ismail	Appointed on 8 January 2009. He was resigned on 16 August 2013 and subsequently reappointed on 23 September 2013
Name	Date of Appointment										
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<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>The Company Secretaries of Komark are Ms Tai Yit Chan and Ms Tai Yuen Ling from Boardroom Corporate Service Sdn. Bhd. (formerly known as Boardroom Corporate Services (KL) Sdn. Bhd.) Both the Company Secretaries have more than 20 years of experience and are qualified as company secretaries under The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and Licensed Company Secretary ("LS") respectively.</p> <p>The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are professionally qualified, experienced and knowledgeable on new or revised regulatory requirements as well as corporate governance best practice. In this respect, the Company Secretaries play an advisory role to the Board, particularly with regard to the Company's Constitution, Board policies and procedures, and its compliance with regulatory requirements, and advocate adoption of corporate governance best practices.</p> <p>The Company Secretaries constantly keep themselves abreast of changes in the realm of corporate governance through continuous professional development. During the financial year under review, the Company Secretaries assisted the Board in applying best practices and monitor the corporate governance developments to meet the stakeholder expectations. The Company Secretaries updated the Board with the governance practices that the Company has complied and highlighted the matters to be complied in accordance with the Malaysian Code on Corporate Governance ("MCCG").</p> <p>The Company Secretaries ensure that meetings are properly convened and the proceedings and resolutions are properly managed.</p> <p>The roles and responsibilities of the Company Secretary are set out in the Board Charter which is available on the Company's website.</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

### Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Board members are furnished with proper agenda (including minutes) together with due notice. Board papers and reports prepared by the Management to provide information/updates on financial, operational and/or legal are circulated at least 5 business days prior to the meetings to allow the Directors with sufficient time to review the materials for effective discussions and decision making during the meetings.</p> <p>All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries. The minutes of meetings of Board and Committees are circulated to all Directors.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Board Charter which clearly sets out the roles, functions, composition and operation of the Board, Board Committees and Management, having regard to the principles of good corporate governance and requirements of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").</p> <p>The Board Charter further defines matters that are reserved for the Board and its committees as well as the roles and responsibilities of the Chairman. Key matters reserved for the Board includes approval of corporate strategic plans and capital budgets, material acquisitions and disposals of undertakings and properties, quarterly and annual financial statements for announcement, monitoring of operating performance and review of the Financial Authority Approving Limits.</p> <p>The Board Charter and Terms of References ("TOR") of Board Committees and Terms of References ("TOR") of Board Committees are available on our Company's website <a href="http://www.komark.com.my">www.komark.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>In tandem with the Board's aspiration to ingrain and engender appropriate standards of conduct and ethical practices, the Board has established a Code of Ethics and Conduct ("Code") is to be strictly complied with by the Directors and members of the Management and all employees of the Company including its subsidiaries.</p> <p>The Code covers the following overarching areas:</p> <ul style="list-style-type: none"><li>• Equal treatment of all employees;</li><li>• Ensure a safe and secure working environment;</li><li>• Environmental protection;</li><li>• Avoidance of acceptance of gifts and business courtesies;</li><li>• Maintain complete and accurate business records;</li><li>• Ensure high integrity and professionalism;</li><li>• Ensure protection of confidential information;</li><li>• Compliance with laws including abuse of power, corruption, insider trading and money laundering;</li><li>• Corporate Governance; and</li><li>• Conflict of interest.</li></ul> <p>The Code is available on the Company's website at <a href="http://www.komark.com.my">www.komark.com.my</a> and is subject to review from time to time to ensure it is kept up-to-date.</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**

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

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

**Practice 3.2**

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has formalised a Whistleblowing Policy and accompanying procedures that are applicable to all employees of the Company. The Whistleblowing Policy outlines avenues for employees of the Company to raise legitimate concerns relating to potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices. The Board vide the Whistleblowing Policy emphasises good faith in reporting, protection from reprisal as well as anonymity of the whistleblower’s identity.</p> <p>The Whistleblowing Policy and the relevant procedures are reviewed periodically by the Board. A copy of the whistleblowing policy is available on the Company’s website at <a href="http://www.komark.com.my">www.komark.com.my</a></p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There are 5 Board Members of the Company, out of which 3 are Independent Directors, making up a majority of the composition of the Board.</p> <p>The presence of majority Independent Directors brings the element of detached impartiality to the oversight function of the Board. Their presence provides checks and balances on the Board as they are able to provide unbiased and independent views in Board deliberations and decision making, taking into account the interests of the Group and minority 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>	:	

### 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>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>At the upcoming Twenty-Third Annual General Meeting to be held on 9 October 2019 ("23<sup>rd</sup> AGM") Encik Ihsan bin Ismail has served more than nine (9) years and agreed to continue in office as Independent Non-Executive Director. The Board, via Nomination Committee has assessed and recommended Encik Ihsan bin Ismail to remain as an Independent Director of the Company based on the following justifications:-</p> <ul style="list-style-type: none"><li>a. he fulfilled the criteria under the definition of Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to Board's deliberations;</li><li>b. his experience enable him to provide the Board with a diverse set of experience, expertise, skills and competence;</li><li>c. he has been with the Company for long and therefore understand the Group's business operations which enable him to participate actively and contribute during deliberations or discussions at Remuneration Committee, Nomination Committee, Audit Committee and Board meetings;</li><li>d. he has contributed sufficient time and efforts and attended all the Remuneration Committee, Nomination Committee, Audit Committee and Board meetings for informed and balanced decision making; and</li><li>e. he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.</li></ul> <p>The Board is satisfied that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. In view thereof, the approval of the shareholders of the Company will be sought for Encik Ihsan bin Ismail to continue in office as Independent Non-Executive Director at the forthcoming 23<sup>rd</sup> AGM of the Company.</p>

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Group. The candidates for Board appointments will be considered, taking into account, a range of diversity perspectives, including gender, cultural, competency, skills, character, time commitment, integrity and experience that the selected candidates will bring to the Board.</p> <p>The Diversity Policy and board procedures for appointment of Directors had been established and adopted by the Board. A copy of the Diversity Policy and board procedures for appointment of Directors are available on the Company's website at <a href="http://www.komark.com.my">www.komark.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

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

### Practice 4.5

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of gender diversity. Currently, the Board has one female Independent Executive Director which accounts for 20% of the Board members.</p> <p>The Board also values the diversity of perspectives and experience at Senior Management level.</p> <p>The NC will take steps to include, where appropriate, women candidates as part of the Board's recruitment exercise when there is any vacant position.</p> <p>The Diversity Policy had been established and adopted by the Board. A copy of the Diversity Policy is available on the Company's website at <a href="http://www.komark.com.my">www.komark.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

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

### Practice 4.6

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, the Board relies on recommendations from the Nomination Committee and existing Board members, management or major shareholders.	
		The Nomination Committee is currently responsible for making recommendations to the Board on the most appropriate Board size and composition. The Nomination Committee will determine certain criteria used in the recruitment process based on annual assessment of Directors. Candidates are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of the MMLR by Bursa Securities. This has enable the Company to source for high calibre Directors with a sound understanding of the business imperative.	
		When necessary, the Board may consider utilising independent sources to identify qualified candidates.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 4.7**

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

Application	:	Applied	
Explanation on application of the practice	:	Ms Tan Lay Ching, an Independent Non-Executive Director of the Company is the Chairperson of Nomination Committee.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a formal and objective annual evaluation of the Board, Board Committees and Directors' performance. The assessment took into account the contribution and performance of the Directors in relation to their competencies, time commitment, experience in meeting the needs of the Company.</p> <p>The Board engages the Company Secretaries from an independent external secretarial firm to facilitate the Board evaluation via evaluation forms and informal discussion with the Nomination Committee and Directors.</p> <p>The evaluation process was based on a self-review assessment whereby the Directors assessed themselves, the Board as a whole as well as the performance of the Board Committees. The criteria and outcome of the assessment were properly documented.</p> <p>Based on the recent assessment, the Nomination Committee was satisfied that the Board size and its composition are optimum as the Board comprises individuals with the requisite skills, knowledge, experience, characteristics and competencies to effectively discharge their roles. The Directors, Board Committees and key officers had also discharged their responsibilities in a commendable manner and contributed to the overall effectiveness of the Board and Company. The Directors had also committed the time necessary to responsibly fulfil their commitment to the Company during the year.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has in place a Directors’ Remuneration Policy which set out the criteria applied in recommending the remuneration package of the Directors of the Group. The Company’s policy on Directors’ Remuneration is to set remuneration at level which are sufficient to attract and retain Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibility involved, but without paying more than is necessary to achieve this goal.	
<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 Board has established a Remuneration Committee to assist in developing and administrating a fair and transparent procedure for setting the remuneration of Directors and Senior Management.</p> <p>The Remuneration Committee reviews and recommends the remuneration of the Executive Chairman and Executive Directors in all its forms. The Remuneration Committee ensures the remuneration packages are designed to attract, retain and motivate Directors. The remuneration packages are tailored based on the criteria set out in the Directors' Remuneration Policy. The executive directors are prohibited from participating or in deciding their own remuneration packages.</p> <p>The TOR of the Remuneration Committee which clearly sets out its duties and functions is approved by the Board. The TOR of the Remuneration Committee is disclosed on the Company's website at <a href="http://www.komark.com.my">www.komark.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.

Application	:	Applied	
Explanation on application of the practice	:	The Board ensures that information relating to Directors’ remuneration is made transparent to all shareholders. The detailed disclosure on Directors’ remuneration for the financial year 2019 are disclosed on named basis in the Corporate Governance Overview Statement of the Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 7.2**

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The remuneration of the top 2 Senior Management are not disclosed on named basis for confidentiality reason as it may be detrimental to the interest of the Company and individuals. Nevertheless, the Company will disclose all the Senior Management’s remuneration on aggregate basis.	
		The Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of Company’s performance. The remuneration packages of Senior Management are based on experience, expertise, and skills.	
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>	:	

**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>Ms Tan Lay Ching is an Independent Director and is appointed as Audit Committee Chairman since year 2016. The Chairman of the Board is Mr Koh Hong Muan @ Koh Gak Siong.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>Ms Tan Lay Ching possesses more than 32 years of working experience in local and international professional services firms. She holds the following qualifications:</p> <ul style="list-style-type: none"> <li>• Member of the Malaysian Institute of Chartered Accountants in England and Wales (ICAEW);</li> <li>• Member of the Malaysian Institute of Accountants ("MIA"); and</li> <li>• Member of the Institute of Chartered Accountants in Australia (ICAA).</li> </ul> <p>Her full profile is available on the Company's website at <a href="http://www.komark.com.my">www.komark.com.my</a> and on page 20 of the Annual Report.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is also available on the Company's website</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**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>	:	<p>Currently, the AC does not have any former key audit partner as a member of the AC. However, the AC has included the cooling off period of at least two years for a former key audit partner before being appointed as a member of the AC in its Terms of Reference of the Audit Committee.</p> <p>The TOR of the AC is available on the Company’s website at <a href="http://www.komark.com.my">www.komark.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**

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 AC is responsible for assessing the suitability, objectivity and independence of the External Auditors and to make subsequent recommendations to the Board on the appointment of the External Auditors.</p> <p>In safeguarding and supporting External Auditors independence and objectivity, the AC has established an External Auditors Assessment Policy which was approved by the Board on 29 June 2018.</p> <p>Under its TOR, the AC reviews annually the appointment of its external audit. The review process covers the assessment of the independence and effectiveness of the external auditors.</p> <p>During the financial year ended 2019, the AC met with the External Auditors three (3) times, in the absence of the management.</p> <p>The AC also reviewed and monitored the nature, extent and fee of the total non-audit work carried out by the auditor to ensure there was no impairment of independency and objectivity.</p> <p>The external auditors have confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants ("MIA"). In compliance with the MIA requirements, the lead partner is rotated every five (5) years to ensure independence and effectiveness.</p> <p>The Company has on 10 December 2018 received a notice in writing dated 6 December 2018 from Messrs Ong &amp; Wong on their resignation as External Auditors of the Company. Messrs Ong &amp; Wong's term of office will end after 21 days from 6 December 2018. The general announcement on the resignation had been made to Bursa Securities by the Company Secretary on the 12 December 2018.</p> <p>The new External Auditors of the Company, Messrs KC Chia &amp; Noor was appointed on 15 March 2019 and shall hold office until the conclusion of the next Annual General Meeting. The general announcement on the</p>

	appointment of new External Auditors had been made to Bursa Securities by the Company Secretary on the same day.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The AC comprises three members, all of whom are Independent Non-Executive Directors. This enables the AC to exercise their independent judgement objectively in the best interest of the Company.

### 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 AC assists the Board to review the integrity of the Company's financial statements. The AC further reviews the adequacy and effectiveness of the system of internal controls as well as risk management framework of the Company.</p> <p>All the AC members have the relevant financial knowledge and commercial expertise skills required to discharge their roles and responsibilities effectively. The composition of AC is set out in Audit Committee Report in page 39 while the members' profiles are disclosed in the Directors' Profiles from page 20 to page 21 of the Annual Report.</p> <p>The AC ensures that the financial reports of the Company comply with applicable financial reporting standards in Malaysia.</p> <p>The members of AC keep themselves abreast by attending trainings as set out in Corporate Governance Overview Statement on page 29 of the 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 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 Board acknowledges its overall responsibilities for establishing and maintaining a sound risk management and internal control systems, and for reviewing its adequacy and integrity.</p> <p>The Board has an established on-going process for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its AC regularly reviews this process to ensure the internal control and risk management frameworks are adequate and effective.</p> <p>Details of the Group's risk management and internal control system are disclosed in the Statement on Risk Management and Internal Control on page 37 to 38 of the 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 make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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

### Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is responsible for managing the key business risks of the Group and implementing appropriate internal control system to manage those risks. The Board via the AC reviews the adequacy and effectiveness of the system of internal controls framework and risk management framework.</p> <p>Key features of its risk management framework and internal control framework are disclosed in the Statement of Risk Management and Internal Control of the Annual Report.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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.

Application	:	Applied	
Explanation on application of the practice	:	The Group’s internal audit function which reports directly to the Audit Committee is outsourced to a professional service firm, Indah Corporate Governance Sdn Bhd. The internal audit function provides the Audit Committee with an independent assessment on the adequacy and effectiveness of the Group’s system of internal control.	
		The Audit Committee reviews the following and report the same to the Board:	
		a. Adequacy of the scope, competency and resources of the internal audit function and that it has necessary authority to carry out its work; and	
		b. The internal audit plan, processes, the results of internal audit assessments and investigations and that actions are taken on the recommendation.	
		Assessment on internal audit function is conducted annually by the Audit Committee ensuring that internal audit function is effective and functioned independently.	
		The Audit Committee Report of the Annual report provides detailed explanation on internal audit function.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## Intended Outcome

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

## Practice 10.2

The board should disclose—

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group's internal audit function, which reports directly to the Audit Committee, is outsourced to Indah Corporate Governance Sdn Bhd. The Engagement Director is Mr Tan Wae Leng who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Member of the Institute of Internal Auditors Malaysia, a Fellow Member of the Malaysian Institute of Accountants, a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom and an Associate Member of the Chartered Tax Institute of Malaysia.</p> <p>The number of staff deployed for the internal audit reviews ranges from 3 to 4 staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.</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>It has always been the Company's practice to maintain good relationship with its shareholders. Major corporate developments and activities in the Company have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.</p> <p>The Board has put in place a Corporate Disclosure Policy and Procedure to ensure compliance with the disclosure requirements as stipulated in the MMLR and also to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.</p> <p>Apart from the mandatory public announcements through Bursa Malaysia, the Company's website, <a href="http://www.komark.com.my">www.komark.com.my</a> is accessible by the shareholders, investors and members of the public to obtain information on the Company's press releases, corporate information, operation activities and financial performance.</p> <p>During the Annual General Meeting ("AGM"), there is a presentation on the Company's performance and major activities which were carried out by the Company during the financial year under review. During the meeting, shareholders have the opportunities to enquire and comment on the Company's performance and operations.</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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company as defined by 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 AGM is circulated at least twenty eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the proposed resolutions	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All directors including the Chair of all the respective Board Committees attended the last AGM. At the last AGM, The Chief Financial Officer provided shareholders with a brief review on the Group’s financial performance and operations. The Chairman also responded to questions posted by the Shareholders.</p> <p>Shareholders are invited to ask questions regarding the proposed resolutions and matters relating to the Company’s operations in general before voting and meaningful response were given to the questions raised.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board regards General Meetings as a key platform for shareholders to exercise their rights and have their “voices” heard through the votes cast by them. In accordance with Paragraph 8.29A(1) of the MMLR of Bursa Securities, all resolutions put to vote will be carried out by poll voting.	
		The Annual General Meeting has recorded good shareholders’ participation in its previous general meetings and its general meetings have been located at Parameswara 1, Philea Mines Beach Resort, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan easy to reach or easily accessible to shareholders.	
		The Board has yet facilitate remote shareholder participation or voting in absentia using technological means as the Company would like to allow for an advocacy period in assessing the cost and benefits of this undertaking.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

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

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

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