

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7120  
**COMPANY NAME** : ACOSTEC  
**FINANCIAL YEAR** : December 31, 2019

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board comprise members of different background and expertise who collectively functions with synergy in deciding on operations and financial matters with the objective of setting and monitoring the implementation of Group strategy and business plans, approving corporate transactions, provision of advisory to management on all corporate matters. The detailed responsibilities of the Board are set out in the Board Charter.</p> <p>The Board has delegated certain responsibilities to its sub-committees namely Audit and Risk Management Committee, Nomination Committee, Remuneration Committee and Investment Working Committee. The Board Committees' roles, duties and responsibilities are defined on their respective Terms of Reference as set out in the Board Charter. Further details are set out in the Corporate Governance Statement in the Annual Report.</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 1.2**

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>	:	The Board is led by the Chairman who assesses Group's strategy and business plans whilst ensuring its resources, including financial and human resources, are sufficient to carry out its operations. His responsibilities are set out in The Board Charter. Further details are set out in the Corporate Governance Statement in Annual Report 2019.	
<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>There is a clear division of roles and responsibilities between the Chairman and the Managing Director of the Company.</p> <p>Mr. Leong Ngai Seng was re-designated as Non-Independent Non-Executive Chairman on 31 October 2019. Although Mr. Leong is the representative of the largest shareholder, he does not play an active role in the operations nor financial affairs of the Group. His role is to lead the Board and focus on governance and compliance matters.</p> <p>Major operations and financial decisions are proposed and recommended by Managing Director, Mr. Ong Li Tak, to the Board for decision making and Management then implements the Board's decisions. As such, there is balance of power and the risk of a biased decision being made does not exist. Mr. Ong assumed the role as Managing Director with effect from 17 April 2019.</p>	
<b>Explanation for departure</b>			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:	Choose an item.	

**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>	:	The Board is supported by 3 Company Secretaries who are all members of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as Company Secretaries under the Companies Act 2016. The Company Secretaries' responsibilities are set out in the Board Charter.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The meeting dates are planned and circulated in advance of each new year. The Notice of Board and Board Committees' meetings are sent to the Directors and Committee members via email at least seven (7) days prior to a meeting. Directors are given sufficient time to read meeting materials before the agendas are deliberated.</p> <p>The minutes of the said meetings are prepared, circulated and confirmed as correct records of the proceedings by the Board and Board Committees at the following meetings.</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>	:	The Board Charter details the role and powers of each director and distinguish such authority between the Board Committees which have different functions in assisting the Board. The roles of the Board, Board Committees, Non-Independent Non-Executive Chairman, Managing Director, Independent Non-Executive Directors and Company Secretaries are set out in the Board Charter.  The Board Charter is reviewed and updated as and when necessary.	
<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 Group adopts the Code of Conduct and Code of Ethics which apply to all directors, officers, employees across the Group and includes contractors and consultants who act for the Group.</p> <p>The Code of Conduct is the ethical framework that include, among others:</p> <ul style="list-style-type: none"> <li>(a) conducting business with integrity;</li> <li>(b) upholding intellectual property as right of the Group;</li> <li>(c) Preserving confidentiality and privacy;</li> <li>(d) Not to engage in insider trading; and</li> <li>(e) Maintaining safety of workplace.</li> </ul> <p>The Code of Conduct is available on the Company's website at <a href="http://www.acoustech.com.my">www.acoustech.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 3.2**

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>	:	The Group has established its whistleblowing policy within the Code of Conduct. All personnel are duty-bound to raise concerns over any possible serious misconduct or unethical behaviour within the Group.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board has five members, of which currently, only two are Independent Non-Executive Directors. For most part of the year, Board comprised three Independent Directors and the current composition came about on 31 October 2019 following re-designation of En. Ahmad Rahizal Bin Amb Dato' Ahmad Rasidi as Executive Director and re-designation of Mr. Leong Ngai Seng as Non-Independent Non-Executive Chairman.</p> <p>The Board recognises that the present composition is not aligned with the desired practice of at least half being Independent Directors. However, it takes comfort that the Audit and Risk Management Committee comprises a majority of Independent Directors. The Board endeavours to continue its efforts to identify an additional Independent Director to achieve the best practice.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.2**

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 - Two Tier Voting	
<b>Explanation on application of the practice</b>	:	<p>One of the Independent Non-Executive Directors has been serving the Company as a Board member for more than twelve years. The Board has sought and have obtained shareholders' mandate on the retention of the Independent Non-Executive Director at Annual General Meetings for past years.</p> <p>In line with requirements under the Malaysian Code on Corporate Governance, at the Annual General Meeting held in June 2019, the Board had implemented a Two-Tier Voting process for the motion to retain the said director as Independent Non-Executive Director and to hold office until the next Annual General Meeting. The Board will continue to table the re-appointment of the said Independent Director whose term has exceeded twelve years for shareholders' approval through a two-tier voting process at the forthcoming Annual General Meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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>	:	The Group does not fall under the category of a Large Company defined under the Malaysian Code of Corporate Governance and hence Practice 4.3 is not applicable to the Group.

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The decision on new appointment of Directors rests with the Board after considering the recommendation of the Nomination Committee. In evaluating the suitability of candidates to the Board, the Nomination Committee will consider certain criteria such as skills, knowledge, expertise, experience, integrity, commitment, background, boardroom diversity and the ability of the candidate to discharge his/her duties as expected.	
<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>	:	When the need to appoint a new Board member arise, the Board scouts and evaluate shortlisted candidates in depth with a view of matching the right background, skills, experience, network, track record and qualifications to the specific function expected of the director. In its evaluation, the Board does not favour any particular gender or ethnicity. Instead, the Board makes its decision on the appointment based on the qualities of the candidate.	
		The Board currently does not comprise any female directors. However, when such an appointment becomes necessary, the Board is prepared to consider the appointment of a female director if the candidate has the desired merits.	
<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>	:	Choose an item.	

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Other than re-designation of existing Directors, there was no new appointment of Directors in 2019. However, for future appointments, the Board would, in addition to its network of affiliates, consider sourcing for new Directors via independent external sources and recommendations.	
<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>	:	Choose an item.	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Nomination Committee is chaired by Non-Independent Non-Executive Chairman Mr. Leong Ngai Seng who was appointed on 27 November 2019 following cessation of office of En. Ahmad Razikal Bin Amb Dato' Ahmad Rasidi subsequent to his re-designation to an Executive Director on 31 October. Prior to that, the Nomination Committee was chaired by En. Ahmad Razikal who was then a Senior Independent Non-Executive Director.</p> <p>Although the Chairman of the Nomination Committee is not an Independent Director, the majority of the Nomination Committee members are Independent Directors.</p> <p>Upon his appointment as the Chairman of the Nomination Committee, Mr. Leong, being representative to the substantial shareholder, performed his duty in ensuring the Board and Senior Management is adequately remunerated whilst discharging their responsibilities towards the Group. No individual Director dominates the decision-making process as the Board has been given the responsibility to deliberate on key matters including consideration of the independent views of each Board member before a decision is made.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Stakeholders are able to 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>On an annual basis, beginning 2016, the performance of the Board and its members are evaluated on effectiveness vide a set of self-assessment questionnaire furnished to each and every Board member. The questionnaire covers areas of responsibilities, composition, remuneration, Board committees, conduct, administration and process including the assessment of “independence” of the Independent Directors. Findings of the self-assessment exercise are compiled and tabled to the Board prior to being disclosed in the Corporate Governance Overview Statement of the Group’s annual report. The findings of the self-assessment exercise for 2018 are as follows:</p> <p>i. Subsequent to the performance assessment for 2019, the Board has concluded that the Board as a whole and its Committees function effectively. The Board is satisfied that each Director continues to contribute to the Board effectively, is well prepared and with knowledge of matters considered by the Board, has good insight of the Group’s operations and financial matters. They remain committed to their responsibilities as Board members.</p> <p>ii. The Directors are of opinion that Board meetings are convened with open and constructive communication, questioning, free expression of ideas and opinions to propagate meaningful discussions and decision making.</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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In deciding the remuneration for directors and senior management, the Remuneration Committee evaluated the candidates based on skills, experience and other qualities and core competencies. As each director and senior management is expected to contribute towards performance and growth of the Group in different ways, their remuneration package varies.</p> <p>The Remuneration Committee takes into consideration Group's performance in considering remuneration for directors and makes necessary references to market remuneration rates and packages to determine the appropriate remuneration for recruitment of shortlisted senior management. The fees and benefits payable to the directors are tabled for shareholders' approval in Annual General meetings in accordance with the Companies Act 2016.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has a Remuneration Committee which functions based on its Term of Reference which is available on the Company's website <a href="http://www.acoustech.com.my">www.acoustech.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**

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>	:	The remuneration of each of the five directors are detailed by category and they are named accordingly in a list included in the Corporate Governance Overview Statement in the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The remuneration of the Board's five members are detailed in the Annual Report by name and category. As for the three key senior management personnel who are not directors of the Company, the Board is of opinion their remuneration is confidential and sensitive given the current competitive nature of employment. The Board believes it is in the best interest of the Group to maintain confidentiality of the remuneration of all its employees, including the said three key senior management personnel, as part of its efforts to retain talents.	
		The Board takes steps to ensure the remuneration of the Group's employees are comparable to market rates.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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>	:	Independent Non-Executive Director Mr. Soon Kwai Choy is the Chairman of the Audit and Risk Management Committee whereas Mr. Leong Ngai Seng is the Non-Independent Non-Executive Chairman.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	None of the current Audit and Risk Management Committee members is a former key audit partner. As such, the Board does not see such a need to incorporate the policy in the Terms of Reference of the Audit and Risk Management Committee.	
		The Board does not have any foreseeable plans to appoint a former key audit partner as a member of its Audit and Risk Management Committee.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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>Mr. Soon Kwai Choy is a member of the Association of Chartered Certified Accountants (ACCA) (UK), a member of the Malaysian Institute of Accountants (MIA), the Past President of the Confederation of Asian and Pacific Accountants and former Vice-President of MIA. He also sat in the International Council of the ACCA headquarters in London, United Kingdom from 1996-2008. As the Chairman of the Audit and Risk Management Committee, Mr. Soon carry with him the necessary expertise and financial literacy to periodically assess the suitability and objectivity of the external auditors in carrying their responsibilities.</p> <p>The external auditors issue an Independent Auditors' Report on an annual basis which is included in the Annual Report wherein they declare their independence. The Audit and Risk Management Committee takes comfort in the annual representation of the external auditors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted	
<b>Explanation on adoption of the practice</b>	:		
<b>Explanation for departure</b>	:	The Audit and Risk Management Committee currently comprise two Independent Non-Executive Directors, namely Mr. Soon Kwai Choy and Mr. Koh Boon Huat, and Non-Independent Non-Executive Chairman Mr. Leong Ngai Seng. Mr. Leong was nominated as member on 27 November 2019 following the cessation of office subsequent to the re-designation of En. Ahmad Razizal Bin Amb Dato' Ahmad Rasidi to an Executive Director on 31 October 2019.	
		The Board endeavours to align to the best practice of MCCG in respect of the independence of the Audit and Risk Management Committee members in due course.	
<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 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The members of the Audit and Risk Management Committee are financially literate and possess the required skills to carry out their duties within the Committee. The profiles of the members are stated in the Annual Report.</p> <p>During the year, the members of the Audit and Risk Management Committee attend relevant training programs to enhance their knowledge and to remain up to date with the evolving and dynamic accounting and auditing standards, interpretation and application. The trainings attended by the members are stated in 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>	:	A risk management framework has been established using the approach referred to as Control Self-Assessment (CSA) which is illustrated in the Annual Report. The process used for evaluating and managing risks for the Group is one of ongoing nature.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The key features of the risk management and internal control framework are set out in the Statement of Risk Management and Internal Control included in the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit and Risk Management Committee has a responsibility to keep in check the Group's risk management framework and policies to ensure the processes involved remains relevant and effective in identifying, analysing, evaluating and treating the risk factors the Group is exposed to.

**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 activities and findings of the Group's Internal Audit Unit is tabled to the Audit and Risk Management Committee on a quarterly basis. Significant areas are given focus in the conduct of audit and the findings are emphasized to ensure the Audit and Risk Management Committee have a clear understanding and assurance of the Group's state of affairs in the areas of internal control and risk management. The Internal Audit Unit has direct access to the Audit and Risk Management Committee and its Chairman.</p> <p>The functions of Internal Audit Unit are set out in the Audit and Risk Management Committee Report contained in 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 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>	:	The Internal Audit Unit at Group is headed by an Assistant General Manager who is a university graduate with major in cost and supported by a separate team of independent Internal Audit Unit at subsidiary level comprised of three personnel with qualifications from local institutions. The scope of internal audit activities is carried out on a quarterly basis in accordance with the requirements and objectives outlined in the Group’s Risk Management Framework. The findings and supporting reports are collated and presented to the Audit and Risk Management Committee members to review, to analyse, to question areas of concern and significant matters and to ensure the internal audit function is carried out in line with the Terms of Reference. The Audit and Risk Management Committee has the full authority to query specific matters pertaining internal control and to request for further analysis and information in respect of any areas of concern or of interest. The Board is satisfied the internal audit function is carried out with sufficient independence and that the findings and reports are found consistently impartial and accurate. The Group has taken steps to achieve greater independence of the internal audit function by outsourcing to external independent Internal Auditors. The Group has invited and obtained three quotations for this purpose and the ARMC is expected to shortlist and appoint the preferred Internal Auditor during the year 2020.
<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>	:	The Group makes available to the shareholders and investors the necessary information vide the periodic interim results, Annual Report and announcements through Bursa Malaysia as well as its corporate website. The Annual General Meeting is the principal platform for the shareholders and investors to engage with the Board on current affairs of the Group, its operations, financial position and outlook. In the Annual Report, the Corporate Governance Statement explains the relationship with shareholders and corporate disclosure policies and procedures whereas the Sustainability Statement highlights the key engagements with 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**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group does not fall under the category of a Large Company defined under the Malaysian Code of Corporate Governance and hence Practice 11.2 is not applicable to the Group. However, the Board has included in the Annual Report several elements of Integrated Reporting such as Management Discussion and Analysis, Corporate Governance Statement, Statement of Risk Management and Internal Control, industry outlook and prospects of the Group.	
<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 12.1**

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>	:	<p>In 2019, the Company issued the notice of its Annual General Meeting to shareholders more than 28 days before the meeting to allow shareholders to make the necessary arrangement to attend and participate in the meeting. The notice has also been submitted to Bursa Malaysia Securities Berhad and advertised in newspaper.</p> <p>A notice period of 28 days is given in respect of the forthcoming Annual General Meeting to be held on 10 July 2020.</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 12.2**

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 members of the Board, which included the Chairman of all Board Committees, attended the previous Annual General Meeting held on 12 June 2019 where shareholders were given an opportunity to raise questions to which responses were provided by directors.</p> <p>The present Board members have also confirmed their attendance at the forthcoming Annual General Meeting to be held on 10 July 2020 to field questions from 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**

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>	:	<p>The Group has been conducting its Annual General Meetings at venues that are easily accessible by the shareholders. As such, the Group need not require technology to facilitate its meetings. However, in light of the need for social distancing due to COVID-19 pandemic, the forthcoming Annual General Meeting on 10 July 2020 will be conducted entirely through live streaming.</p> <p>Shareholders are allowed to appoint proxy or proxies to cast their vote on their behalf in their absence at general meetings.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

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

Not applicable.
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