

CORPORATE GOVERNANCE REPORT

STOCK CODE : FITTERS
COMPANY NAME : FITTERS DIVERSIFIED BERHAD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is accountable and responsible for the performance and affairs of the Company by overseeing and appraising the Group's strategies, policies and performance. The Board sets the strategic direction ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. It is the Board's responsibilities to set the Company's values and standards and ensure that its obligations to its shareholders and other stakeholders are met and understood. The Board provides leadership for the Company within a framework of prudent and effective controls which enable the assessment and management of risks.</p> <p>The Board has established clear roles and responsibilities and all Directors are expected to discharge their fiduciary duties and leadership functions objectively and professionally at all times in the interests of the Group.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The Chairman encourages active and effective engagement, participation and contribution from all Directors and facilitates constructive relations between Board and Management. The Chairman also ensures that the meeting is conducted efficiently and that appropriate time is given to the most important issues.</p> <p>Dato' Ir. Low Keng Kok, who was redesignated to the Chairman to succeed Dato' Fu Ah Kiow @ Oh (Fu) Soon, who stepped down on 1 July 2019, is an Independent Non-Executive Chairman of the Board who continues to provide 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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company's Chairman and Managing Director are held by two different individuals.</p> <p>There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles and responsibilities of the Chairman and Managing Director are distinct and separate.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by two qualified Company Secretaries, namely Ms Tai Yit Chan and Ms Tan Seiw Ling, both from Boardroom Corporate Services Sdn Bhd. They are responsible for supporting the effective functioning of the Board.</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 the 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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	All Board members are furnished with proper agenda (including minutes) with due notice issued together with board papers and reports prepared by the Management on financial, operational, legal updates, at least seven (7) days prior to the meetings. This provides them sufficient time to review the relevant meeting materials for effective discussions and decision making during the meetings. Upon conclusion of the Board meetings, the Company Secretary will record all pertinent issues at the Board meetings and ensure that all decisions and proposals are recorded. The minutes of meetings of Board as well as Board Committees are circulated to all Directors.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a Board Charter which clearly sets out the functions, responsibilities, composition, terms of reference, operation and processes of the Board, Chairman, Managing Director, Board Committees, individual Directors and Management. The Board Charter is periodically reviewed and updated so as to ensure its relevance in assisting the Board to discharge its duties in accordance with the changes in corporate laws, requirements and regulations that may arise and to remain consistent with the Board's responsibilities.</p> <p>The Board Charter also sets out a list of specific functions that reserved for the Board's decision and these include the approval of corporate strategic plans and capital budgets, material acquisitions and disposals of undertakings and properties, quarterly and annual financial statements for announcement, risk management policies and key human resource issues.</p> <p>The Board Charter is available on the Company's website at www.fittersgroup.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has established and adopted the Code of Conduct and Code of Business Ethics which govern the standards of ethics and good conduct expected of the Directors, officers and employees. All employees, officers and Directors should avoid engaging activities like insider trading, money laundering, bribery and corruption or acts that result in a conflict of interest.</p> <p>Both the Code of Conduct and Business Code of Ethics were reviewed, merged and renamed as "Code of Conduct and Ethics" and further incorporated the new corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 to address bribery and corrupt practices.</p> <p>The Code of Conduct and Ethics and was approved and adopted by the Company on 25 February 2020 and can be found on the Company's website at www.fittersgroup.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a Whistle-Blower Policy to provide an avenue for employees and stakeholders to report in good faith, genuine concerns about malpractice, unethical behaviour and improper conduct, conflict of interest, corruption or bribery within the Group and receive feedback on any action taken.</p> <p>Employees and stakeholders who reasonably and in good faith believe that malpractices exist within the Group are able to report their concerns to the Board Chairman or Audit Committee Chairman.</p> <p>The Whistle-Blower Policy can be found on the Company's website at www.fittersgroup.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company is steered by an experienced and well balanced Board comprising seven (7) competent professionals with diverse expertise in accounting, business, finance, engineering, management and business development. The current Board comprises seven (7) Directors of whom five (5) are Independent Non-Executive Directors (including the Chairman), one (1) is Managing Director and one (1) is Executive Director.</p> <p>All five (5) Independent Non-Executive Directors collectively made up more than 50% of the Board. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher to be independent Directors. The presence of majority independent Directors allow Board's deliberations and decisions to be made objectively in the best interest of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has adopted the limitation of the tenure of its independent directors to nine (9) years in its Board Charter and Terms of Reference of Nominating Committee.</p> <p>The assessment of Independent Directors is carried out annually through the Nominating Committee.</p>

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has adopted a formal policy on diversity of the Company by taking into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and staff as the Board is aware that it is important in ensuring robust decision-making processes with a diversified viewpoints and the effective governance of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has adopted a diversity policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board and employees of the Group. This includes requirements for the Board to establish measureable objectives for achieving diversity on the Board of Directors and employees.</p> <p>The Company does not set any specific target for female directors in the Board but will work towards having more female directors on the Board, if the opportunity arises.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	In identifying candidates for appointment of directors, the Board currently relies on recommendations from the existing Board members, senior management or major shareholders; sourcing for candidates known for their qualification and expertise in the Company's areas of businesses.
		The Nominating Committee is responsible for making recommendations to the Board on the most appropriate Board size and composition. In this regard, the Nominating Committee will consider individuals recommended by the Board members, Company's senior management or major shareholders. During the recruitment and nomination process, the Nominating Committee will review the resumes of potential candidates, assess their qualification, skills, competence, integrity, character, time commitment and experience to determine if they meet the selection criteria.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Nominating Committee may consider seeking independent sources (e.g. directors' registry, advertisement or professional recruitment agencies) to identify potential candidates in addition to recommendations from the Directors, senior management or major shareholders of the Company for its assessment before recommending to the Board based on selection criteria used; for situations where no appropriate candidates can be shortlisted.
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee of the Company is chaired by Datuk Dr. Soh Chai Hock @ Soh Hai San, a Senior Independent Non-Executive Director of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board 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 evaluation process was based on a self-review assessment whereby the Directors assessed themselves and also 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 Nominating Committee was satisfied that the Board size and its composition as the Board comprises individuals with the requisite skills, knowledge, experience, characteristics and competencies to effectively discharge their roles.</p> <p>The Board engages the Company Secretaries who are from an independent external secretarial firm to facilitate the Board evaluation via evaluation forms and informal discussion with the Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board has established a Directors' Remuneration Policy to review the remuneration of Directors and Key Senior Management which is linked to strategy and/or performance or long term objectives of the Company to ensure that the Company is able to attract and retain capable Directors and/or Key Senior Management.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Remuneration Committee to implement its policies and procedures on remuneration of Directors and Key Senior Management. The Remuneration Committee reviews and recommends the remuneration of the Managing Director and Executive Director of the Company for Board's approval pursuant to the Terms of Reference of Remuneration Committee as well as the fees of Non-Executive Directors for shareholders' approval.</p> <p>The Terms of Reference of the Remuneration Committee can be found on the Company's website at www.fittersgroup.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

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

Intended Outcome

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

Practice 7.2

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	:	Applied	
Explanation on application of the practice	:	<p>The remuneration of the top five (5) key senior management on named basis in the bands of RM50,000 is disclosed in the Corporate Governance Overview Statement.</p> <p>The Company has at this juncture identified three (3) subsidiary directors as key senior management as part of the corporate and succession planning.</p>	
Explanation for departure	:	Please provide an explanation for the departure.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee and the Chairman of the Board are held by two distinct individuals.</p> <p>The Chairman of the Audit Committee is Mr Chan Seng Fatt, who is a Chartered Accountant. He is a member of the Malaysian Institute of Accountants (MIA).</p> <p>Mr Chan has the ability to lead the discussions and deliberations of the Audit Committee. As the Chairman of the Audit Committee, he reports the Audit Committee's deliberations, findings and recommendations to the Board. The Audit Committee comprises three members of whom are Independent Non-Executive Directors.</p> <p>With the positions of Board Chairman and Audit Committee Chairman held by different individuals, the Board is able to objectively review the Audit Committee's findings and recommendations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Currently, the Audit Committee does not have any former key audit partner appointed as a member of the Audit Committee. The Audit Committee has included in its Terms of Reference and External Auditors Assessment Policy that a former key audit partner is to observe a cooling off period of at least two (2) years before being appointed as a member of the Audit Committee.</p> <p>The Terms of Reference of the Audit Committee is available on the Company’s website at www.fittersgroup.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has adopted an External Auditors Assessment Policy to assess the suitability, objectivity and independence of the External Auditors by the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. This enables the Audit Committee 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's Audit Committee assists the Board in its oversight of the integrity of the Company's financial statements, including the financial reporting process, system of internal control over financial reporting and audit process, compliance by the Company with legal and regulatory requirements, the performance of the Company's internal audit function, risk assessment and mitigation and the Company's systems of internal controls. The Audit Committee also ensures that the financial reports of the Company comply with applicable financial reporting standards in Malaysia.</p> <p>All the Audit Committee members have the relevant financial knowledge and commercial expertise skills required to discharge their roles and responsibilities effectively. The composition of the Company Audit Committee is set out in Audit Committee Report of the Annual Report while the Audit Committee members' profiles are disclosed in the Directors' Profiles of the Annual Report.</p> <p>The members of Audit Committee keep themselves abreast by attending training detailed in Corporate Governance Overview Statement of the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognizes its responsibilities over the Company’s internal control and risk management framework.</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 Audit Committee regularly reviews this process to ensure the internal control and risk management frameworks are adequate and effective.</p> <p>The Audit Committee meets regularly to review the risks identified and discuss on mitigation lack in place and report to Audit Committee quarterly.</p> <p>Details on internal control and risk management framework are set out in the Statement on Risk Management and Internal Control in the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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 also reviews the adequacy and effectiveness of the system of internal controls framework and risk management framework.</p> <p>Details of these together with the features of its risk management framework and internal control framework are disclosed in the Statement of Risk Management and Internal Control, which was reviewed by the Board and the External Auditors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	<p>Currently, the Company's Risk Management Committee consists of Audit Committee Chairman, members of Executive Committee, key Senior Management team and profit centre managers. This Committee assists the Board to oversee the risk management process within the Group. The Board receives reports from the Risk Management Committee concerning the risk implications on the Group.</p> <p>Despite not having a majority of independent non-executive directors in the Committee, the current members of the Committee, in particular members of Executive Committee and key Senior Management team and profit centre managers have a sound understanding of the overall level of risk embedded with their processes and activities. Moreover, they are involved in operations management to sufficiently understand the key risks. This would allow them to identify areas of risk and be aware of the appropriate methods of managing the risks.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee of the Company is responsible to oversee the internal audit function and evaluate its performance.</p> <p>The Company' / Group's internal audit function is carried out by the Group's in-house Internal Audit ("IA") Department which is led by the Head of IA who reports directly to the Audit Committee Chairman. The Group IA Department's authority is set out in the Internal Audit Charter.</p> <p>The Group IA Department has access to all relevant records, personnel and properties within the Group to carry out its duties. The Audit Committee, assisted by the Group IA Department, provides the Board with assurance on the adequacy and effectiveness of risk governance and internal controls. The Group IA Department independently reviews the risk identification procedures and control processes implemented by the Management, conducts audit that encompass review of critical areas being identified, and reports to Audit Committee on a quarterly basis.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Manager reports to the Audit Committee. This reporting relationship supports internal audit independence and objectivity which assures adequate consideration of audit recommendations and planned corrective actions. This relationship also gives the Internal Audit staff the authority needed for full and unrestricted access to any or all operations, records, property and personnel within the Group.</p> <p>The internal audit function is carried out in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal audit team is made up of two (2) personnel headed by Ms Adelene Pook, who is a member of The Institute of Internal Auditors Malaysia (IIAM). The internal audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence.</p> <p>The principles to having an effective internal audit function have been outlined in the Internal Audit Charter and Internal Audit Manual. The Internal Audit Charter sets out the purpose, authority, responsibilities, reporting of the Internal Audit function and maintaining independence and objectivity status.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application :	Applied
Explanation on application of the practice :	<p>It has always been the Company's practice to maintain good relationship with its shareholders. Major corporate developments and happenings in the Company have always been duly and promptly announced to all shareholders, in line with Bursa Malaysia Securities Berhad's objectives of ensuring transparency and good corporate governance practices.</p> <p>There is a section on the Company's website under Investor Relations that provides shareholders with detailed information on the Group's business, financial performance and latest developments and corporate announcements. Any material information related to the Company and its subsidiaries for public release will be reviewed internally to ensure that communications to the investing public are accurate, timely, factual, informative, balanced, broadly disseminated and in compliance with applicable legal and regulatory requirements.</p> <p>During the Annual General Meeting, the shareholders of the Company have the opportunities to enquire and comment on the Company's performance and operations.</p> <p>The Company will formalise corporate disclosure policies, guidelines and procedures, and as well as to adopt a consistent approach on disclosure practices throughout the Company and all its subsidiaries and to provide guidance to the Board, Management and employees on the Group's disclosure requirements and practices and to ensure consistency, accuracy and completeness of the disclosure practices throughout the Group.</p>
Explanation for departure :	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company has yet to adopt an integrated reporting framework. The Board acknowledged that integrated reporting goes beyond a mere combination of the Company’s financial statements and sustainability report into a single document.	
		Nevertheless, there are coordinated efforts among cross-functional departments in preparing the various statements and reports in the Annual Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The notice for the Company's Annual General Meeting was given to the shareholders on 26 April 2019, more than 28 days before the meeting, which was held on 28 May 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors including the Chairman of the Audit Committee, Nominating Committee and Remuneration Committee attended the Company's Annual General Meeting held in 2019.</p> <p>All Directors will attend the upcoming Annual General Meeting to address any relevant questions raised by the shareholders.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, the Company does not implement any electronic voting system which encourages and facilitates greater shareholders’ participation.	
		<p>This is due to the fact that the number of registered shareholders physically attending the General Meetings of the Company is considered small and manageable by the Company. Electronic voting will incur higher cost and is not deemed practicable at this juncture.</p> <p>The Annual General Meeting takes place every year will be held at the Company’s premises.</p> <p>A shareholder who is unable to attend General Meetings in person may opt to appoint the Chairman of the meeting to be his/her proxy.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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