

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7803
COMPANY NAME : RUBBEREX CORPORATION (M) 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 takes full responsibility for the overall performance of the Group by setting the vision and objectives through directing the policies, strategic action plans and management of the Group's resources. It focuses mainly on strategies, financial performance and critical business issues.</p> <p>Four Board Meetings were held in the financial year ended 31 December 2019.</p> <p>In carrying out its responsibilities, the Board reviews the Group financial results, operational plans and strategic objectives formally on a quarterly basis and deliberates key management decisions. It also ensures that key information are reported to the Exchange in an accurate and timely manner.</p> <p>The Board delegates some of its responsibilities to the Audit, Nomination and Remuneration Committees who also meet regularly and report on specific matters as disclosed in the Annual Report.</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 of the Board is Dato' Abd Rahim bin Abd Halim, who was appointed on 27 August 2014.</p> <p>The Chairman ensures the effective conduct of the Board, primarily leading the members in board meetings, establishing good governance practices and implementing strategic operational decisions including the formulation of company policies, risk management and corporate affairs. He is supported by the Deputy Chairman and other board members as well as the Managing Director who contribute their knowledge, objectivity and experience towards the execution of policies and monitoring of Group operations.</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	:	The Chairman, Dato' Abd Rahim bin Abd Halim, and Managing Director (MD), Mr. Khoo Chin Leng, hold distinct separate positions within the Group. While the Chairman principally sets the immediate and long term strategic directions for the Group, the MD oversees the day-to-day management and operation of the Group's resources and ensures the effective implementation of the Board's policies.	
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 has the services of two Company Secretaries, Ms. Chong Lay Kim (SSM PC NO. 202008001920) (LS 0008373) and Ms. Yeng Shi Mei (SSM PC NO. 202008001282) (MAICSA 7059759), who are both duly qualified and experienced in all secretarial matters including advising on sound corporate governance practices, updates on directors' responsibilities, regulatory rules, codes, statutes and listing requirements.</p> <p>The Company Secretaries also attends all board and committee meetings to ensure the proper conduct of meeting procedures as well as the correct recording and upkeep of minutes.</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	:	<p>At least seven(7) days prior to each board meeting, all directors are provided with soft copies of the full quarterly management report that includes the presentation of financial information, manufacturing and sales performances, budgets, cashflows, business plans, capital expenditures, prospects relevant to the Group and/or any other matters highlighted that require the Board's attention. Hard copies of the report are also distributed at the meeting.</p> <p>The minutes of the board meetings are prepared by the Company Secretaries, signed off by the Chairman as an accurate reflection of the Board's deliberation and distributed to all directors within a reasonable timeframe.</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 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 Company has a board charter which was set up in 2017 that clearly outlines the structure of the Board, roles and responsibilities of directors, including independent directors, committee members and senior management. It also states specifically the issues and strategic decisions to be undertaken by the Board each year including setting long term vision(s) for the Group, reviewing and approving dividend payments, Group budgets, directors' and senior management's remuneration packages, quarterly financial results to Bursa Malaysia and other corporate announcements.</p> <p>The Company's board charter was approved and formally adopted by the Board on 20 April 2018, and is published on the Company's website.</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 3.1

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 Group has in place a general code of ethics that applies to all directors, management and staff of the Group upon acceptance of their employment which they acknowledge to have read and understood.</p> <p>This Company's latest Code of Conduct and Ethics was approved by the Board on 20 April 2018 and is published on the Company's website.</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 3.2

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 of the Company is fully aware that whistleblowing is an effective detection tool for fraud, non-compliances or breaches in laws, rules and regulations. Guidelines are in place for employees, suppliers or customers to report any workplace grievances, infringements or unethical practices via email, in writing or telephone calls whether openly or anonymously.</p> <p>This policy is regularly reviewed and reassessed by the Directors as needed during the board meetings.</p> <p>This Company's latest Whistleblowing Policy was approved by the Board on 20 April 2018 and is published on the Company's website.</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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board of Directors consist of seven (7) members including three (3) of whom are independent non-executive directors and one (1) Managing Director.	
		The Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that require at least two (2) directors or one-third of the Board, whichever is higher, to be independent.	
		The Board is in the process of seeking suitably qualified independent director(s) for appointment to the Board, as recommended by the Malaysian Code on Corporate Governance 2017.	
<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	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>The Board's independent directors who have currently served for a cumulative term limit of nine(9) years or more are:</p> <ol style="list-style-type: none"> 1. Dato' Mohamed bin Hamzah; and 2. En. Mustapha bin Mohamed. <p>The Board, at the recommendation of the Nomination Committee, has considered Dato' Mohamed bin Hamzah and En. Mustapha bin Mohamad to be independent and value their objective judgements to board deliberations and decision making. Therefore, they believe that the two (2) directors should be retained as independent non-executive directors of the Company.</p> <p>Both Dato' Mohamed bin Hamzah and En. Mustapha bin Mohamed have served the Company for more than twelve (12) years, therefore, the Board shall seek shareholders' approval at the forthcoming Annual General Meeting through a two-tier voting process.</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

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	:	Not Adopted
Explanation on adoption of the practice	:	

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	:	<p>The Nomination Committee of the Board, is tasked with ensuring that the board and senior management comprise of members with the right mix of calibre and credibility. It was previously chaired by Mr. Poh Chee Kwan, who has since resigned on 08 May 2020 and the Board is in the process of seeking a suitably qualified replacement.</p> <p>In recommending any new director(s) to the Board, the Committee considers the individual(s)' background, requisite experience, skills set, capabilities and professionalism. It also objectively assesses the individual(s)' independence, conflicts of interests and family relationships, if any.</p> <p>The Nomination Committee and the Board acknowledges the importance of boardroom diversity and aims to ensure an optimal mix of individuals that can add depth and perceptiveness for effective board discussions and decision making.</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 4.5

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is cognizant of gender diversity in the board composition and will endeavour to identify and engage women director(s) who meet the Group’s objective criteria on merit, skills, experience and capabilities.	
<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	:	Applied
Explanation on application of the practice	:	<p>There were no new appointments of directors in 2019.</p> <p>On 23 April 2020, Dato' Ong Choo Meng, was appointed as an non-independent non-executive director of the Company. His profile is disclosed on page 19 of the Annual Report 2019.</p> <p>In addition, on 27 May 2020, Dato' Chan Choun Sien was appointed as an independent non-executive director of the Company. His profile is disclosed on page 20 of the Annual Report 2019.</p> <p>If needed, the Board would consider the services of professional firms, recruitment agencies or referrals from external sources to identify and recommend directors for appointment.</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 4.7

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Nomination Committee of the Board was previously headed by Mr. Poh Chee Kwan, who was appointed on 22 November 2016 but had since resigned on 08 May 2020. Mr. Poh Chee Kwan was a non-independent non-executive director of the Company. He was supported by two (2) other directors who are both independent.</p> <p>The position of Chairman of the Nomination Committee is currently vacant and the Company is in the process of seeking a suitably qualified replacement.</p> <p>There were no new appointments of directors in 2019 other than the appointments of Dato' Ong Choo Meng as a non-independent non-executive director on 23 April 2020 and Dato' Chan Choun Sien as an independent non-executive director on 27 May 2020 as disclosed in Practice 4.6.</p> <p>If necessary, the Board composition, directors' roles and responsibilities shall be reviewed in detail in the new financial year.</p>
<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 assesses the performance of the directors and the board as a whole, through an internally designed individual directors' self-assessment appraisal form where directors are evaluated on their ideas contribution, governance, integrity, communication, team-work and decision making competencies yearly. This process and the related outcomes shall be made more transparent in the coming financial year.</p> <p>Where necessary, the Board would also consider the services of external independent experts to provide these assessments and facilitate objective evaluations of board members.</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	:	<p>The determination of remuneration for each individual director and senior management is the prerogative of the Remuneration Committee of the Board, which is headed by the Chairman, Dato' Abd Rahim bin Abd Halim.</p> <p>The Company's and the Group's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities. The Remuneration Committee meets at least once yearly to ascertain and approve remuneration and other benefits of the directors and senior management in accordance to Company's policy guidelines and with reference to external industrial benchmark reports. Individual directors abstain from the approval of their own fees and benefits.</p> <p>The directors' fees and other benefits payable to the directors are also discussed and tabled at the Annual General Meeting and subject to shareholders' approval.</p> <p>The Group's remuneration policy is currently not available on the company's website.</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 6.2

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Remuneration Committee's Terms of Reference is currently not available on the company's website. The Board's Remuneration Committee comprises of four (4) members, all of whom are non-executive with two (2) who are independent directors. The Remuneration Committee is guided by the Board's policies and procedures when reviewing and recommending for approval the remuneration and benefits of directors and senior management as explained in Practice 6.1.
<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 detailed disclosure of each director's remuneration is disclosed in the Corporate Governance Overview Statement of the Company's Annual Report 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

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board and Management are of the view that such detailed information is sensitive and may hinder the human resource management of the Group.	
		However, the remuneration of the top five (5) senior management personnel is disclosed in bands of RM50,000 in the Company's Annual Report 2019.	
<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	:	The Chairman of the Audit Committee of the Board is Dato' Mohamed bin Hamzah, an independent non-executive director whereas the Chairman of the Board is Dato' Abd Rahim bin Abd Halim. They do not have any familial relationship.	
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>This policy has not been adopted by the Board or incorporated into the Terms of Reference of the Audit Committee as no former key audit partners of the present external auditors have been appointed to the Board of Directors of the Company or employed by the Group.</p> <p>The Company will revise the Terms of Reference of the Audit Committee to include a cooling-off period of at least two (2) years if any former key audit partner is considered as a candidate for the Audit Committee in future.</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	:	<p>At least twice a year, the Audit Committee meets with the external auditors without the presence of any executive directors and management of the Company and of the Group to deliberate on the audit plans, summaries of findings and any other matters directly affecting the Company and the Group. At these meetings and throughout the financial year, the Audit Committee assesses the competency and independence of the external auditor and if satisfactory, recommends for re-appointment to the Board, who will then seek shareholders' approval at the Company's Annual General Meeting.</p> <p>Yearly, the external auditors also duly declares to the Audit Committee and to the Board that they are in compliance with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.</p> <p>This policy has been incorporated into the Terms of Reference of the Audit Committee which is published on the Company's website.</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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

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 8.5

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 Chairman and all members of the Audit Committee are financially literate, with one of them a member of the Malaysian Institute of Accountants. The Audit Committee has assisted the Board of Directors in discharging its duties and responsibilities relating to the Group's risk management, internal controls, financial reporting and compliance of statutory requirements.</p> <p>During the year, the Audit Committee members have also individually attended related professional development training programmes to stay updated on the latest developments in accounting and auditing standards, practices and rules as disclosed in the Company's 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 of Directors is responsible for the adequacy and effectiveness of the Group's risk management and internal control systems, which cover finance, operations, management information systems and compliance with relevant laws, both local and foreign, other statutory regulations, policies and procedures.</p> <p>The implementation of the risk management and internal control systems are operated within the Group by qualified personnel and supported by Management throughout the financial year. The Board of Directors, through its Audit Committee, has also received assurance from Management that the Group's risk management and internal control systems are operating adequately and effectively at the present time.</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	:	The Company issues a Statement on Risk Management and Internal Control that highlights the features and key elements of the risk management and internal control framework of the Group in its Annual Report.	
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 :	

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 Internal Audit department is an independent division in the Group that reports functionally to the Audit Committee. The head of the Internal Audit department meets at least quarterly with the Audit Committee and provides the Committee with objective reports on the state of internal controls within the Group. Internal Audit also carries out ad-hoc audit assignments under the direction of the Audit Committee, if necessary.</p> <p>In discharging its duties, the Audit Committee assesses the performance of the Internal Audit department yearly and reports to the Board of Directors on the adequacy and relevance of the scope, functions, competency, authority and resources of the internal audit function to carry out its work.</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 department maintains objectivity and is independent of the areas or divisions it audits. All internal audit activities during the year were conducted by an in-house audit team headed by an internal auditor with more than twenty (20) years' work experience with the Group and two (2) other permanent staff.</p> <p>The internal audit function of the Group carries out its activities in accordance with recognised internal auditing standards covering the conduct of audit planning, execution, documentation and communication of findings. It is also guided by the principals set up under the Group's Risk Management and Internal Control framework.</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>The Board ensures that the Company releases to Bursa Malaysia Securities Berhad, its quarterly financial results and performance, in a timely manner. Any information pertaining to material or corporate developments are also announced to Bursa Malaysia Securities Berhad within the appropriate timeframe.</p> <p>Every year, the Board also ensures that information is made available to the shareholders through its Annual Report and the Company's Annual General Meeting where shareholders and investors are invited to interact with Management, key officers, internal auditors and external auditors of the Group.</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 11.2

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 is not considered a “large company” as defined in the Malaysian Code of Corporate Governance 2017.
<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	:	<p>The Notice of Annual General Meeting was released on 05 June 2020 via Bursa Malaysia Securities Berhad and published in at least one (1) major newspaper in circulation in Malaysia, which is at least 28 days' notice prior to the Annual General Meeting to be held on 07 July 2020.</p> <p>Due to the COVID-19 outbreak, the 24th Annual General Meeting of the Company will be conducted in its entirety via live streaming and online remote voting using the Remote Participation and Voting (RPV) facilities provided by the share registrar, Tricor Investor & Issuing House Services Sdn Bhd, via its TIIH online website at https://tiih.online.</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 12.2

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	:	All directors of the Company, including Chairmen of the various Committees and senior Management attended the previous Annual General Meeting held on 30 May 2019 and were able to provide meaningful responses to questions raised by shareholders. Barring any unforeseen circumstances, the directors have also confirmed their attendances at the forthcoming Annual General Meeting to be conducted remotely on 07 July 2020.
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	:	Applied
Explanation on application of the practice	:	<p>The Company does not have a large number of shareholders nor does it hold its Annual General Meetings at remote locations. Shareholders are entitled to appoint a proxy or proxies or the Chairman to vote on their behalf at the Annual General Meeting.</p> <p>Since the previous Annual General Meeting, the Company's resolutions set out in the Notice of Annual General Meeting were put to a vote by poll, the results validated and presented to the shareholders. This same practice will prevail at the forthcoming Annual General Meeting except that the Annual General Meeting shall be conducted in its entirety via live streaming and online remote voting.</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	:	

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

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

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