

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7226
COMPANY NAME : WATTA HOLDING 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 retains full and effective control of the Group and has established amongst others, corporate objectives and position descriptions including the limits to management's responsibilities, which the Executive Directors are aware and are responsible for meeting. The Board has an understanding of matters reserved to itself for decision, which include the overall Group strategy and direction, acquisition and divestment policy, approval for major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.</p> <p>The Board's leadership, responsibilities, governance arrangements and effectiveness are discussed on pages 18 to 24 of the Annual Report 2019.</p> <p>Further details of the Board's and Board Committee's responsibilities are set out in the Board Charter and Terms of Reference of the Board Committees which are available in the Company's website at www.watta.com.my.</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	:		
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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	:	The Independent Non-Executive Chairman of the Board is Hj Ahmad Bin Darus. The role of the Chairman is stated in the Board Charter which is available at the Company's website at www.watta.com.my .	
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 of the Board is Hj Ahmad Bin Darus and the Group Executive Deputy Chairman and Chief Executive Officer is Dato' Lee Foo San.
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 qualified Company Secretaries namely Mr Yeoh Chong Keat (MIA 2736), Ms Lim Fei Chia (MAICSA 7036158) and Ms Liew Chak Hooi (MAICSA 7055965), pertaining to corporate secretarial matters which include, among others, convening of Board, Board Committees' and general meetings, attending the Board, Board Committees' and general meetings, preparation of circular resolutions and minutes of meetings, maintenance of statutory registers and records, review of announcements, and advising the Board on compliance with the relevant laws and regulations.</p> <p>The roles of the Company Secretaries are set out on pages 20 and 21 of the Annual Report 2019.</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>Prior to Board meetings, the agenda together with relevant documents and information are prepared and distributed to all Directors in a timely manner, which is at least 3 to 5 days prior to the Board meetings, to ensure that Directors have sufficient time to review and be prepared for discussion.</p> <p>The minutes or record of proceedings of Board meetings are circulated to all Directors and are reviewed prior to confirmation at the following Board meeting.</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	:	The Board Charter is in place and published on the Company's website at www.watta.com.my .
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	:	The Board has established Code of Ethics and Conduct for staff and is published on the Company's website at www.watta.com.my . The Conduct and Ethics of the Board are set out in the Board Charter under Board Culture and Board Qualities.
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	:	The Group has a Whistle-Blowing Policy and is published on the Company's website at www.watta.com.my .	
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	:	Currently the Board comprises of 3 Independent Non-Executive Directors, 4 Executive Directors and 2 Non-Independent Non-Executive Directors.
		The Board is of the view that the presence of the 3 Independent Directors is sufficient to provide the necessary checks and balances on the decision making process of the Board. The Independent Directors provide independent and objective judgement as well as impartial opinion on Board deliberations and decision making and significant contributions of the Independent Directors is evidenced on their participation as members of the committees of the Board. The Company practices a clear demarcation of responsibilities and a balance of power and authority.
<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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Both Hj Ahmad Bin Darus and Gan Leng Swee have served as Independent Non-Executive Directors of the Company for more than 12 years, and Lee Tak Wing's tenure as Independent Non-Executive Director will exceed 9 years in October 2020.</p> <p>Each of the Independent Non-Executive Directors had provided their annual confirmation of independence to the Board based on the criteria of assessing independence in line with the definition of "independent directors" prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>Based on the assessment, the Board had concluded that those Directors remain to be independent based on the following justifications:-</p> <ul style="list-style-type: none">i) They have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, would be able to function as a check and balance, bringing an element of objectivity to the Board;ii) They have been with the Company for many years and are familiar with the Company's business operations;iii) They have exercised due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their duties proficiently in the interest of the Company and the shareholders. <p>The Independent Non-Executive Directors of the Company provide the Board with a good mix of industry-specific knowledge plus broad</p>

	<p>business and commercial experience. They provide guidance, unbiased, fully balance and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity were maintained by the Group.</p> <p>Since 2013, the Company has sought annual shareholders' approval for retention of Independent Directors who have served for more than 9 years. The Board will be seeking annual shareholders' approval for retention of Hj Ahmad Bin Darus, Gan Leng Swee, and Lee Tak Wing to continue to serve as Independent Directors of the Company at the forthcoming Annual General Meeting.</p> <p>The annual shareholders' approval for retention of Independent Directors who have served for more than 12 years will be sought through a single-tier voting process but not a two-tier voting process, given that there is only one class of ordinary shares in the Company and the rights of the holders, including the right to vote, shall rank <i>pari passu</i>. The ordinary resolutions shall be passed by a simple majority votes and the special resolutions shall be passed by a majority of not less than 75% votes.</p>	
	<p>The Board is of the view that the length of service does not in anyway interfere with the exercise of their independent judgement and ability to act in the best interest of the Company.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

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 Board acknowledges the importance of boardroom diversity in terms of gender, age, nationality as well as ethnicity and recognises the benefits of this diversity. The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria based on effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.</p> <p>The Nomination Committee is delegated with the responsibility of assessing and considering and recommending to the Board, suitable candidates for appointment as Directors and reviewing the nomination of Senior Management when the need 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 4.5

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>Currently, the Board has one (1) female member.</p> <p>The Board acknowledges the importance of boardroom diversity in terms of gender, age, nationality as well as ethnicity and recognises the benefits of this diversity. The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria based on effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.</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	:	Applied	
Explanation on application of the practice	:	The Nomination Committee which is responsible for identifying and recommending suitable candidate(s) for appointment as Director, may utilise independent sources in identifying suitable candidates, as and when the need arises.	
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	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Gan Leng Swee, 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 Nomination Committee had undertaken annual evaluation. The evaluation involves individual Directors and Committee members completing separate performance evaluation sheet regarding the process of the Board and its Committee, their effectiveness and contribution of each individual Director. These assessments and comments by all Directors were tabled and discussed at the Nomination Committee meeting which was then reported to the Board at the Board Meeting.</p> <p>The Nomination Committee was satisfied with the experience, contributions and skill mix of the Directors to enable the Board and the Board Committees to discharge their respective duties and responsibilities effectively.</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 Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, as well as Senior Management where necessary. The Board has in place a Remuneration Policy and is available at the Company's website at www.watta.com.my .
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	:	The Terms of Reference of the Remuneration Committee is available at the Company's website at www.watta.com.my .	
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	:	Each Director’s detailed remuneration is disclosed on page 23 of the 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 Company is of the view that the disclosure of information other than as disclosed in the Annual Report 2019 is detrimental to the Company's management of its human resources due to the competitive environment for resources within the industries the Company and its subsidiaries operate.	
		The remuneration of the 2 Senior Management (including salary, bonus, benefits-in-kind and other emoluments) in each successive band of RM50,000.00 are disclosed on page 23 of the 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 is Lee Tak Wing while the Chairman of the Board is Hj Ahmad Bin Darus.	
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	:	The policy had been incorporated into the Terms of Reference of 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 8.3

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 duties of the Audit Committee to assess the external auditors are included in the Terms of Reference of 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 solely three (3) Independent Non-Executive Directors.

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>Audit Committee members possess necessary skills and knowledge in discharge of their duties. They reviewed the financial related matters collectively.</p> <p>The Board will evaluate the training needs on a continuous basis and to determine relevant programmes, seminars and briefings that will enhance their knowledge and enable them to discharge their duties effectively.</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

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	:	The information on Risk Management and Internal Control are set out on pages 28 and 29 of the 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

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 key features of the Risk Management and Internal Control are set out on pages 28 and 29 of the 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

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	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Assessment/Management Committee comprises a majority of Independent Directors. It assists the Board in fulfilling its responsibilities with respect to review and monitor the Group's risk management framework and activities.</p> <p>The information is set out in the Statement on Risk Management and Internal Control of the Annual Report 2019.</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 internal audit function of the Group has been outsourced to an independent professional consultancy firm, RSM Corporate Consulting (Malaysia) Sdn Bhd which was appointed during the financial year with the aim of providing independent and systematic reviews on the systems of internal control. The Internal Audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group. Throughout the financial period, the audit assignments were carried out in accordance with the approved annual internal audit plan.</p> <p>Details of the Internal Audit function are set out on pages 29 and 31 of the Annual Report 2019.</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 function of the Group has been outsourced to an independent professional consultancy firm, RSM Corporate Consulting (Malaysia) Sdn Bhd which was appointed during the financial year with the aim of providing independent and systematic reviews on the systems of internal control. The Internal Audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group. Throughout the financial period, the audit assignments were carried out in accordance with the approved annual internal audit plan.</p> <p>The Internal Auditors adopts a risk-based approach and have carried out their work in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (“IIA”).</p> <p>None of the Internal Auditors has family relationship with any Director and/or major shareholder of the Company. The Internal Auditors are independent of the activities they audit and perform their audit with impartiality and due professional care.</p> <p>The Internal Auditors have adequate resources and appropriate standing to undertake their activities independently and objectively to provide reasonable assurance to the Audit Committee regarding the adequacy and effectiveness of the Group’s internal control systems. The outsourced internal audit function is headed by Mr. Jaymes Foo, who is a qualified professional accountant and is a member of the IIA, Malaysia.</p> <p>The information on Internal Audit Function is disclosed on page 31 of the Annual Report 2019.</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>In recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensuring that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following channels:-</p> <p>(a) the Annual Report;</p> <p>(b) the various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly results and annual results.</p> <p>The annual general meeting is the principal platform for dialogue with shareholders and stakeholders. The Chairman, Group Executive Deputy Chairman, Board Committees' Chairman and other Board members as well as the External Auditors of the Company are present to respond to all questions raised at the meeting. The outcome of all resolutions proposed at general meetings will be announced to Bursa Malaysia Securities Berhad at the end of the meeting day.</p> <p>The information on the dialogue between the Company and its stakeholders are set out on page 24 of the Annual Report 2019.</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

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	:	Applied
Explanation on application of the practice	:	The information on the dialogue between the Company and its stakeholders are set out on page 24 of the Annual Report 2019. The Company is not a large company as defined in the Malaysian Code on Corporate Governance.
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 12.1

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 forthcoming Annual General Meeting of the Company is issued at least 28 days prior to the meeting.	
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 the Directors of the Company attended the previous Annual General Meeting held on 27 June 2019 and all the Directors have confirmed their attendance for the forthcoming Annual General Meeting to be held on 23 July 2020, barring any unforeseen circumstances.	
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	:	Shareholders are entitled to appoint proxy(ies) / representative(s) / Chairman of the meeting to vote on their behalf in their absence at general meeting. The Company's general meetings have always been held at a venue which is easily accessible.	
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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