

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5036
COMPANY NAME : EDARAN BERHAD
FINANCIAL YEAR : June 30, 2020

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 of Directors (the Board) of Edaran Berhad (the Company) exercises their business judgement to act in what they reasonably believe to be in the best interests of the Company and its shareholders.</p> <p>In furtherance of its responsibilities, the Board of Directors assume, among others, the following responsibilities:</p> <ol style="list-style-type: none">1. Reviewing and adopting a strategic plan for the company Board reviews, challenges and approves management's proposal on the strategic plan for the company. The board brings the objectivity and breadth of judgement to the strategic planning process and satisfy itself that management has taken into account all appropriate considerations in establishing the strategic plan. The Board monitors the implementation of the strategic plan by management.2. Overseeing the conduct of the company's business Board oversees the performance of the management to determine whether the business is being properly managed. The Board ensures that there are measures in place to assess the management's performance.3. Identifying principal risks and ensuring the implementations of appropriate internal controls and mitigation measures Board reviews and assesses the effectiveness of the company's policies and practices with respect to risk assessment and risk management. This is to achieve a proper

	<p>balance between risks exposure and potential returns to stakeholders.</p> <p>4. Succession Planning Board ensures that all candidates appointed to senior management positions are of sufficient calibre. The board should also be satisfied that there are programmes in place to provide for the orderly succession of senior management.</p> <p>5. Overseeing the development and implementation of a shareholder communications policy for the company Board ensures that the company has in place a policy to enable effective communication with its shareholders and other stakeholders. The policy should include how feedback received from its stakeholders is considered by the company when making decisions.</p> <p>6. Reviewing the adequacy and the integrity of the management information and internal controls system of the company The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance.</p> <p>The Board meets four (4) times a year, with additional meeting held as and when required by the Board.</p> <p>The Board also reviews the yearly and three yearly business plan.</p>
<p>Explanation for departure :</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

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>Dato' Abdul Halim Abdullah is the Chairman of the Company. His profile can be viewed in the Company's annual report.</p> <p>Under the Company's Board Charter, the Chairman responsibilities, among others are:</p> <ol style="list-style-type: none"> 1. Leads the Board in setting the values of the Company; 2. Ensuring all Directors play active roles in the Board activities; 3. Ensuring clear information to the Directors. <p>The Chairman leads the Board meeting and ensures that Directors are properly briefed during the meeting. He leads the discussions and encourages active participation and ensures that every Board resolution is put to vote and the will of majority prevails. Besides ensuring the smooth flow of resolutions tabled in the meeting, the Chairman also manages the communication during the 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

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>There is a clear division of roles and responsibilities between the Chairman and the Chief Executive Officer (CEO) and they are held by two distinct individuals.</p> <p>The Chairman heads the Board of Directors while the CEO manages the Company's operations. Dato' Abdul Halim Abdullah is the Independent Non-Executive Director and Chairman of the Board whereas Dato' Bistamam Ramli is the Chief Executive Officer.</p> <p>The Chairman roles are to ensure that the Board is orderly conducted while the CEO is responsible for the day-today business operations and on the implementation of the Board's decision.</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 Company Secretary is Encik Asbanizam Abu Bakar, qualifies to hold the position under Section 235 of the Companies Act, 2016.</p> <p>The Company Secretary has several years of experience and qualified to adequately carry out his duties. He plays the advisory role in supporting the Board to uphold the high standards of corporate governance and are qualified to adequately carry out their duties as advisor to the Board in respect of:</p> <ul style="list-style-type: none">• current best practice;• corporate governance requirements and practices;• directors' duties under the law;• board reporting and disclosure obligations;• listing rule requirements; and• proper meetings' procedure. <p>The Company Secretary provides support in facilitates the flow of information to Board. He also serves as a liaison for stakeholders' communication and engagement on corporate governance issues.</p> <p>The Company Secretary has attended relevant training during the financial year relating to Companies Act 2016 and Malaysian Code on Corporate Governance (MCCG) in order to up skill and keep abreast with the latest development in corporate governance realm.</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>The Board meets four (4) times a year with the annual meeting diary tentatively made in advance to facilitate the Directors. A formal schedule is prepared and notice of the Board meetings is circulated to its members at least 7 days before the meeting. The agenda and the Board papers are circulated to the Directors within reasonable time before each meeting.</p> <p>The Board papers supplied contain all the necessary information that are clear, accurate and comprehensive to enable informed decision making at the Board meeting. Furthermore, the Board has access to all necessary information and communicate its needs for additional information during Board meetings or request from the Management.</p> <p>The deliberations and conclusions of issues discussed and decision made during the meeting are duly recorded in the minutes. The decisions made during the Board meeting are also communicated to the Management for execution.</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 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>This Board of Directors' Charter, based on the established Edaran's Group Charter and Malaysian Code on Corporate Governance 2017 guidelines have been adopted by the Company to assist the Board and its committee in the exercise of their responsibilities.</p> <p>The established Group Charter contains the company's philosophy, values, vision and hope. Abiding by the charter will ensure the Group's future success and prosperity.</p> <p>The Board charter, among others, has also included the following:</p> <ol style="list-style-type: none"> i. Board's roles and responsibilities; ii. Relationship of the Board to Management; and iii. Board meeting process. <p>The Board Charter is accessible for reference on the Group's website, www.edaran.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	:	The Board committed to instil ethical values and standard across the Company. The Code of Conduct is available in the Group's website, www.edaran.com The Code of Conduct also covers the relationship with customers, employees and environment.	
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 established Code of Conduct covers the whistleblowing policy and procedures and it applies to all Directors and employees.</p> <p>The Whistleblowing policy and procedure is used as guidance on the disclosure of any wrongdoing or improper conduct, inappropriate behaviour, violation of law, rule, regulation and/or a direct threat to the company's interests, such as corruption, fraud or health/safety violations.</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 Board comprises seven (8) members, five (6) of which are Independent Directors as follows:-</p> <ul style="list-style-type: none"> i. Dato' Abdul Halim Abdullah ii. Datuk Emam Mohd Haniff Emam Mohd Hussain iii. Dato' Abdul Malek Ahmad Shazili iv. Dato' Hj Abdul Hamid Mustapha v. Encik Ahmad Yasri Mohd Hashim @Mohd Hassan vi. Encik Md Arif Haji Hasan <p>More than half of the Board composed of Independent Directors. With that the Company is able to facilitate greater checks and balances in deliberations and decision making during 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

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	:	The shareholders may, in exceptional cases and subject to the assessment of the Nominating Committee, decide that an independent director can remain as an independent director after serving a cumulative term of nine years.	
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 a tenure policy where each independent director would be re-elected after nine years on the Board. Upon completion of nine years, an independent director continues to serve on the Board subject to the director's re-designation as a non-independent director.</p> <p>The Board also seeks for shareholders' approval in the event a director retains as an independent director, as he/she has served in the capacity for more than nine years.</p> <p>In such situation, the Board makes a recommendation and provide justification to the shareholders in a general meeting.</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 acknowledges the importance of diversity in skills, experience, age, cultural background and gender. All Board members are of high calibre and have skills and knowledge in various industries.	
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 recognises the gender diversity of at least 30% women directors in companies. The Board will take the steps towards implementing the target and will take relevant measures to reflect the Company’s commitment towards gender diversity.	
		The Board is committed to workplace diversity, with a particular focus on supporting the representation of women in the composition of Board and Management of the Company.	
<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>The principal objective of the Nominating Committee is to assist the Board of Directors in their responsibilities in nominating new nominees to the Board of Directors. The proposed appointment of new member(s) of the Board is recommended by the Nominating Committee to the Board for approval. The Nominating Committee also assess the performance of the Directors of the Company on an on-going basis.</p> <p>The Nominating Committee's responsibilities includes:</p> <ul style="list-style-type: none">• Recommend to the Board, technically competent persons of integrity with a strong sense of professionalism and who practise the highest standards for appointment as members of the Board of Directors, Managing Director and members of Board Committees.• Review the Board structure and balance of appointments between Executive and Non-Executive Directors.• Review the adequacy of the Committee structures of the Audit, Nominating, Remuneration and other Board Committees.• Review, on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.• Carry out the process endorsed by the Board for assessing the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director. <p>The Nominating Committee also open for referral from any available external sources such as professional associations.</p> <p>As set out in the Standard Operating Procedures and the Board of Directors' terms of reference, the Board may recommend taking independent professional advice. The decision will be made collectively in accordance with procedures stated in the Standard Operating Procedures and/or Board Committees' terms of reference.</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	:	Applied	
Explanation on application of the practice	:	<p>The members of the Nominating Committee are:</p> <p>Chairman: Dato' Hj Abdul Hamid Mustapha (Independent Non-Executive Director)</p> <p>Members: Datuk Emam Mohd Haniff Emam Mohd Hussain (Senior Independent Non-Executive Director) Dato' Abdul Halim Abdullah (Independent Non-Executive Directors)</p> <p>The terms of reference of the Nominating Committee include all the best practices as required.</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 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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Presently the Company does not have the assessment of the Board and individual Directors by the stakeholders.	
<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 Remuneration Committee recommends Directors' compensation for approval by the Board.</p> <p>Executive Directors' remuneration packages are set out in their individual contract of service.</p> <p>Non-Executives Directors remuneration package is currently in-line with market trend. The Board is of the opinion that the current level of remuneration is sufficient.</p> <p>The Directors' remuneration is disclosed in bands as set out in the Notes to the Financial Statement under sub-heading 'Profit/(Loss) from Operation' in the Annual Report.</p> <p>The Board has established a Remuneration Committee, with its own specific terms of reference, to undertake all the said responsibilities. The Board's Terms of Reference is disclosed in 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	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee is mainly made up of Non-Executive Directors whose members are Dato' Abdul Halim Abdullah (Chairman), Dato' Hj Abdul Hamid Mustapha, Ahmad Yasri Mohd Hashim @ Mohd Hassan. The terms of reference of the Remuneration Committee include all the best practices as required.</p> <p>Fees payable to Non-Executive Directors are recommended by the Board for approval of shareholders at the Annual General Meeting.</p> <p>The Board's Terms of Reference is disclosed in 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

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 sets the level of remuneration sufficiently to attract and retain the Directors needed. Directors' remuneration details breakdown is disclosed in the 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

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 Company had disclosed the Senior management's remuneration components in bands width of RM50,000 as in the annual report.</p> <p>As it is not in the best interest of the Company and the Senior Management personnel, the remuneration packages on a named basis has not been opted. The information is considered sensitive.</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 7.3 - 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 Audit Committee is made up of Independent Non-Executive Directors whose members are:-</p> <p>Chairman : Datuk Emam Mohd Haniff Emam Mohd Hussain</p> <p>Members : Dato' Abdul Malek Ahmad Shazili Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan Encik Md Arif Haji Hasan</p> <p>While, the Chairman of the board is Dato' Abdul Halim Abdullah.</p> <p>As such the Chairman of Audit Committee is distinct from the Chairman of the Board.</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>The Audit Committee is made up of Independent Non-Executive Directors whose members are Datuk Emam Mohd Haniff Emam Mohd Hussain (Chairman), Dato' Abdul Malek Ahmad Shazili, Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan and Encik Md Arif Haji Hasan.</p> <p>None of the Audit Committee members were former key audit partners of the Company's 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

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>The Audit Committee policies include all the requirements of best practice pertaining to the appointment of the external auditors.</p> <p>The Audit Committee undertakes the following functions and report, where necessary to the Board of Directors:</p> <ul style="list-style-type: none">• Review with the external auditor, its audit plan.• Review with the external auditor, its evaluation of the system of internal controls.• Review with the external auditor, its audit report.• Review the assistance given by the employees of the Company to the external auditor.• Review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure that it has the necessary authority to carry out its work.• Review the internal audit programme, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.• Review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on changes in or implementation of major accounting policy changes, significant or unusual events and compliance with accounting standards and other legal requirements.• Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.• Review any letter of resignation from the external auditor of the Company.

	<ul style="list-style-type: none"> • Review whether there is reason (supported by grounds) to believe that the Company’s external auditor is not suitable for re-appointment. • Review the external auditor’s management letter and the management’s response thereto. • Review any appraisal or assessment of the performance of members of the internal audit function. • Review any appointment or termination of senior staff members of the internal audit function. • Review the appointment and remuneration of the external auditor each year and make recommendation thereon. • To be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning, if necessary. • Consider the major findings of internal investigations and management’s response thereto. • Consider other topics as defined by the Board of Directors from time to time. • Provide support, as deemed necessary, to the internal audit activities. • Recommend the nomination of a person or persons as external auditor.
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 is made up of Independent Non-Executive Directors whose members are Datuk Emam Mohd Haniff Emam Mohd Hussain (Chairman), Dato' Abdul Malek Ahmad Shazili, Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan and Encik Md Arif Haji Hasan.

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	:	The Audit Committee efficiently reviews and deliberates the quarterly and end of the year financial statements regularly at the Audit Committee meetings.	
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 internal control systems are embedded in the operations via the Standard Operating Procedures. The process owners as described in the Standard Operating Procedures are accountable to monitor and preserve the Standard Operating Procedures. The review of these processes is normally performed by the Internal Audit Department. The internal audit reports are formally tabled to the Audit Committee for their review and deliberation.</p> <p>Details of the Risk Management and Internal Control Framework set out in the Statement on Risk Management and Internal Controls 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 9.2

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 internal control systems are embedded in the operations via the Standard Operating Procedures. The process owners as described in the Standard Operating Procedures are accountable to monitor and preserve the Standard Operating Procedures. The review of these processes is normally performed by the Internal Audit Department. The internal audit reports are formally tabled to the Audit Committee for their review and deliberation.</p> <p>The processes that the Directors apply to deal with material internal control are disclosed in the Statement on Internal Control of the Annual Report.</p> <p>An Internal Audit Department has been established to carry out the internal audit function for the Group.</p> <p>Details of the Risk Management and Internal Control Framework set out are in the Statement on Risk Management and Internal Controls 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 9.3 - 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	:	The main function of the Risk Management Committee is to assist the Board in its supervisory role in the management of risks covering external and strategic risks, customer and product risks, regulatory and financial risks, people, operations and internal process risks.

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 performs operational and compliance audits and other internal investigations as instructed by the Audit Committee/Board.</p> <p>The internal auditors have their own Charter, Code of Ethics and present the Annual Audit Plan.</p> <p>The internal control systems are embedded in the operations via the Standard Operating Procedures. The process owners as described in the Standard Operating Procedures are accountable to monitor and preserve the Standard Operating Procedures. The review of these processes is normally performed by the Internal Audit Department. The internal audit reports are formally tabled to the Audit</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 personnel are free from any relationships or conflicts of interest, with any Directors and major shareholders.</p> <p>The Internal Audit personnel also attend training and development courses to keep abreast with the current laws and regulations.</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 Company has appointed a consultant (under the purview of the Management) to implement the overall programme on investor relations and corporate communications to communicate Company’s progress to investors and shareholders.</p> <p>Standard Operating Procedures on Corporate Communications is in place and adhered to.</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	:		
<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	:	Notice of Annual General Meeting has been given to shareholders 28 days prior to the meeting as in page 6 of Company's 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

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 attended General Meeting. The Chair of Audit, Nominating, Risk Management and other committees provided meaningful response to questions addressed to them.	
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	:		
<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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