

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0190
COMPANY NAME : EVERSAFE RUBBER 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 the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

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>Eversafe Rubber Berhad ("Eversafe Rubber" or "the Group") is led and controlled by an effective Board of Directors ("the Board") consisting of professionals and competent individuals of calibre with diverse background, expertise and experience in various fields relevant to the Group's activities and strategic development.</p> <p>The Board is responsible for the overall strategic direction and performance of Eversafe Rubber, from leading to governing, to guiding and monitoring as well as enforcing standards of accountability, all with a view to enabling Management to execute its responsibilities effectively. The Board also provides leadership within a framework of prudent and effective controls which enables risks to be appropriately assessed and managed. Each Director has a legal duty to act in the best interest of the Group. The Directors, collectively and individually, are aware of their responsibilities to shareholders for the manner in which the Group's affairs are managed.</p> <p>In order to create a foundation for ensuring sound, transparent and efficient management, the Board had established a corporate governance system within the organisation which reinforces ethical, prudent and professional behaviour. The Board has set out various key policies such as the Board Charter, the Code of Conduct and the Whistleblowing Policy which are available for reference on the Group's website – http://www.eversafe.com.my</p> <p>The Board meets at least four (4) times a year, with additional meetings held as and when required by the Board to discuss amongst others the administration and implementation of matters delegated to the Management which is overseen by the Board. Management's proposals which are reserved for the Board's approvals will be discussed at the Board Meetings where the Board members will have ample time and opportunity to peruse and discuss the proposal as well as seek clarification from the Management team. This practice is put in place to</p>

	<p>ensure Management's strategies are in line with the Group's business targets for the year and also for future medium and long-term basis.</p> <p>The Board also facilitates in matters of risk management, succession planning, developing and implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):-</p> <ul style="list-style-type: none"> a) Audit Committee b) Nominating Committee c) Remuneration Committee <p>The activities of each Committee are set out in the Terms of Reference which is made available on the Group's website – http://www.eversafe.com.my</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 1.2

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, Tan Sri Dato' Dr. Sak Cheng Lum, holds a Non-Executive position and is primarily responsible for the overall leadership and functioning of the Board. As provided under the Company's Board Charter, the Chairman is responsible, amongst others to:</p> <ul style="list-style-type: none"> a) Leadership of the Board, leading Board meetings and discussions, ensuring the Board's effectiveness on all aspects of its role, setting Board agenda and ensuring adequate time is available for discussion of all agenda; b) Ensuring the provision of accurate, timely and clear information to members of the Board; c) Encouraging active participation and allowing dissenting views to be freely expressed; d) Ensuring effective communication with shareholders and stakeholders and their views are communicated to the Board as a whole; e) Facilitating the effective contribution of non-executive directors and ensuring constructive relations between the executive and non-executive directors; f) Managing the interface between the Board and Management; and g) Leading the Board in establishing and monitoring good corporate governance practices in the Group. <p>The responsibilities of the Chairman are set out in the Board Charter which is made available on the Group's website – http://www.eversafe.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Chairman and the Chief Executive Officer (CEO) are held by two (2) distinct individuals. The Chairman is Tan Sri Dr. Sak Cheng Lum while the CEO is Mr. Cheah Siang Tee.</p> <p>While the Chairman is responsible for the overall leadership and efficient functioning of the Board, the CEO is responsible for the Group's business and the day-to-day operations and management of the Group's business with all powers, discretions and delegations authorised from time to time by the Board.</p> <p>The responsibilities of the CEO are set out in the Board Charter which is made available on the Group's website – http://www.eversafe.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is assisted by the Group's Company Secretaries who, under the direction of the Chairman, are responsible in facilitating effective information flow within the Board and the Board Committees and between Senior Management and Non-Executive Directors. The roles of the Group's Company Secretaries are currently held by Chong Lay Kim and Yeng Shi Mei.</p> <p>The Company Secretaries play an important advisory role in supporting the Board to uphold high standards of corporate governance. They also assist and facilitate the Board in Directors' training and development. The Directors have on-going access to continuing education programmes as they are kept informed of relevant training programmes by the Company Secretaries.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving regulatory changes and developments in corporate governance by attending relevant continuous professional development programmes, seminars, workshops and conferences organised by the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), Securities Commission, Companies Commission of Malaysia and other relevant training organisations.</p> <p>The Company Secretaries have a direct functional reporting line to the Board and has been accorded with appropriate standing and authority to enable them to discharge their duties in an impartial and effective manner. In order to ensure that the Company Secretaries maintain a high quality of service to the Board, the services of the Company Secretaries are evaluated by the Board annually.</p> <p>The roles and responsibilities of the Company Secretaries are set out in the Board Charter which is made available on the Group's website – http://www.eversafe.com.my</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 is to meet at least four (4) times in a year. However, additional meetings may also be convened on an ad-hoc basis when significant issues arise. The Notice of Meetings as well as comprehensive set of Board papers are circulated at least five (5) days before the meeting unless the Directors agree to a shorter notice.</p> <p>The deliberations and decisions arrived at during Board meetings are clearly minuted in a timely manner and action items for Management will be communicated to the relevant parties within 24 hours after the Board meetings. The draft minutes are then tabled at the following meeting for confirmation and thereafter signed by the respective Chairperson.</p> <p>All Directors should ensure that minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstains from voting or deliberating on a particular matter. All records of the proceedings of Board meetings and resolutions passed are kept in the minutes books kept by the Company Secretaries.</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.

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter was established to set out the principal functions, compositions, roles and responsibilities of the Board. It also further defines the specific responsibilities of the Board, in order to enhance coordination and communication between the Management and the Board and more specifically, to clarify the accountability of both the Board and the Management for the benefit of the Group and its shareholders.</p> <p>The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives and corporate vision.</p> <p>The Board Charter is accessible for reference on the Group's website – http://www.eversafe.com.my</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 as 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 is committed to creating a corporate culture to operate the businesses in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct. The Group's Code of Conduct and Ethics (the Code) was established by the Board to reflect the Group's underlying core ethical values and commitment. The Code lays down standards of integrity, transparency, fairness, and accountability.</p> <p>The Code applies to all Directors, officers and employees of the Group and its sales representatives, third-party business associates, and contractors. Others within certain duties and obligations to the Group are also expected to abide by all applicable provisions of the Code and adhere to the principles and values set out in the Code when representing the Group to the public or performing services for or on behalf of the Group.</p> <p>The Code is periodically reviewed by the Board and is updated as and when necessary.</p> <p>The Code of Conduct and Ethics is made available on the Group's website – http://www.eversafe.com.my</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.

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 Group expects the highest standards of integrity from all our employees, Directors, shareholders, consultants, vendors, contractors, third-party agencies or parties with a business relationship with the Group or its subsidiaries. In line with this and the Group's commitment to open communication, we had established a Whistleblowing Policy to provide a channel for anyone to raise concerns and have reassurance that they will be protected from reprisals or victimisation for whistleblowing.</p> <p>The Whistleblowing Policy is intended to provide protections of concerns are raised regarding the Group, such as the following non-exhaustive list:</p> <ul style="list-style-type: none"> a) Fraud b) Bribery c) Corruption d) Criminal breach of trust e) Abuse of power f) Theft or embezzlement g) Misuse of company's property h) Non-compliance with procedure <p>The Whistleblowing Policy and its disclosure procedure are accessible to the public for reference on the Group's website. Such misconducts may be reported directly to the Chairman of the Audit Committee through a written submission via post or email to whistleblower@eversafe.com.my.</p> <p>The Group's Company Secretaries who receive the report will conduct a preliminary assessment before tabling the completed assessment to the Audit Committee during the Audit Committee meeting. Upon completion of the assessment and subsequent investigation, the whistleblower will be notified of the outcome.</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 eight (8) members, four (4) of which are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors with one of them also functioning as the CEO. The Independent Non-Executive Directors are as follows:</p> <ul style="list-style-type: none"> a) Tan Sri Dato' Dr. Sak Cheng Lum b) Mr. Ng Meng Kwai c) Tuan Haji Mohd Isa bin Haji Mohd Talib d) Ms. Ong Beow Chieh <p>The Independent Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or the ability to act in the best interests of the Group.</p> <p>They provide independent judgment, experience and objectivity without being subordinated to operational considerations and help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.</p> <p>The Board undertakes to assess the independence of its Independent Directors upon appointment, annually and when any relationship develops.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not Applicable
Explanation on application of the practice	:	
Explanation for departure	:	No independent director(s) serving beyond 9 years
<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	:	Not Adopted
Explanation on application of the practice	:	The Group does not have in place any official policy which limits the tenure of its Independent Directors to nine years. However, the Nominating Committee has taken cognisance of Practice 4.3 of the MCCG 2017 in their consideration for recommendation to the Board of Directors who are retiring at each Annual General Meeting for re-election. In the event of an Independent Director who has served a cumulative term of more than 9 years, the Board will justify and seek shareholders' approval should it wish to retain such Director as an Independent Director. Notwithstanding the above, in view that the Company has achieved its listing status approximately only 3 years ago, the Board will ensure that it puts in place official policies in order to govern the maximum term of Independent Directors in due course.
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 4.4

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 Directors have a diverse set of skills, experience and knowledge necessary to govern the Group. The Directors are diverse in a number of aspects, including but not limited to gender, age, educational, professional and cultural background, ethnicity, skills as well as knowledge.</p> <p>The Nominating Committee is responsible for identifying candidates with appropriate skills, experience, knowledge and expertise in order to discharge its mandate effectively as well as to support the Group towards achieving its intended goals and objectives.</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>The Board supports the gender boardroom diversity as recommended under the MCCG and recognises the importance of encouraging and developing female talent at all levels. Currently, Ms. Ong Beow Chieh is the sole female director on the Board, representing 12.5% of the total Board members.</p> <p>The Board continues to search for suitable female candidates to fill in the directorship positions. Apart from the nominations which the Nominating Committee may receive from Directors and Committee members for the pool, potential candidates may also be sourced from relevant bodies and/or the regulator(s), as well as other independent sources.</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	:	<p>The Nominating Committee is responsible for evaluating the balance of skills, knowledge and experience as well as diversity on the Board. In light of this evaluation, the Nominating Committee will then prepare a description of the role and capabilities required for a particular appointment before recommending suitable candidates for Directorships to the Board.</p> <p>In undertaking this responsibility, the Nominating Committee will source candidates through:</p> <ul style="list-style-type: none"> a) Open advertising or the services of external advisers b) Careful consideration of candidates from a wide range of background and skills as considered appropriate c) Thorough review of candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote the position.
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 Nominating Committee comprises: a) Tan Sri Dato' Dr. Sak Cheng Lum (Chairman) b) Mr. Cheah Eu Lee c) Mr. Ng Meng Kwai Tan Sri Dato' Dr. Sak Cheng Lum is the Independent Non-Executive Chairman of the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees.</p> <p>The Nominating Committee carries out the Board effectiveness evaluation exercise annually by evaluating the existing balance of skills, knowledge, experience and diversity and then recommending new appointments to the Board, if 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

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 Board had delegated to the Remuneration Committee the responsibility to review and recommend the framework of remuneration of the Executive and Non-Executive Directors and the remuneration package for each Executive Director.</p> <p>The Board when deliberating the total remuneration package of the Executive Directors will ensure that the level of remuneration is generally set to attract, retain and motivate them. The components of the remuneration are therefore structured to link the remuneration package with corporate and individual performance. Meanwhile, the Non-Executive Directors are remunerated with fees in accordance with the experience, expertise and level of responsibilities undertaken.</p> <p>The remuneration policy is available in the Remuneration Committee's Terms of Reference which is made available on the Group's website – http://www.eversafe.com.my</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 comprises:</p> <ul style="list-style-type: none">a) Tan Sri Dato' Dr. Sak Cheng Lum (Chairman)b) Tuan Haji Mohd Isa bin Haji Talibc) Dato' Seri Cheah Eu Kiat <p>The Remuneration Committee's responsibilities include reviewing and recommending the remuneration framework and package for the Executive and Non-Executive Directors, determining the policy for and scope of service agreement for the Executive and Non-Executive Directors, termination payment and compensation commitments as well as recommending to the Board any performance related pay schemes for Executive Directors and/or any other persons for consideration.</p> <p>In addition to this, the Remuneration Committee is also responsible to produce any reports as may be required from time to time, to consider the appointment of the services of advisers or consultants as it deems necessary to fulfil its responsibilities as well as to review any major changes in the remuneration policy and employee benefit structures for senior management throughout the Group, and if deemed fit, recommend them to the Board for consideration.</p> <p>The Remuneration Committee's Terms of Reference is made available on the Group' website:- http://www.eversafe.com.my</p>
Explanation for departure	:	

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

Measure	:	
Timeframe	:	

Intended Outcome

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	:	A detailed disclosure on named basis for the remuneration of individual directors is included in the Group's Annual Report 2019 under the Corporate Governance Overview Statement. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.
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	:	<p>The Group's remuneration structure for its key senior management is intended to attract, retain and motivate. The present disclosure in the Group's Annual Report 2019 contains the remuneration details of the Group's Executive Directors, namely Dato' Seri Cheah Eu Kiat, Eu Ah Seng and Mr. Cheah Siang Tee, who are the three (3) highest remunerated key senior management of the Group.</p> <p>Nevertheless, the Board is of the view that the disclosure of the remuneration of key senior management who are not Directors would not be in the best interest of the Group given the competitiveness in the market for talent.</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 assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 – Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee and the Chairman of the Board are helmed by two distinct individuals which allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>The Chairman of the Board is Tan Sri Dato' Dr. Sak Cheng Lum while the Chairman of the Audit Committee is Mr. Ng Meng Kwai.</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	:	At present, none of the members of the Audit Committee was a key audit partner in the last 2 years before being appointed.
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>One of the Audit Committee’s roles and responsibilities include the review of external auditor. This review shall include:</p> <ul style="list-style-type: none"> a) the audit plan and scope of their audits, including any changes to the planned scope of the audit plan b) their evaluation of the system of internal controls c) the audit fee and on matters concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors d) the assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work
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	:	Applied
Explanation on adoption of the practice	:	The Audit Committee comprises solely Independent Non-Executive Directors. The Audit Committee members do not participate in the day-to-day management of the Group and do not engage in any business dealings or possess business relationship with the Group. This allows the Audit Committee members to exercise their lodgement objectively whilst acting in the best interest of the Group.

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 members of the Audit Committee possess a wide range of necessary skills to discharge its duties. All members of the Audit Committee are financially literate and well equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the Audit Committee in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of each member of the Audit Committee are disclosed in the Profile of Directors section of the 2019 Annual Report of the Group.</p> <p>All members of the Audit Committee have undertaken continuous professional development, during the financial year, to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.</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 is cognisant of its overall responsibility and oversight of the Group's system of internal control and is constantly keeping abreast with developments in areas of risk and governance. Hence, the Board has in place a risk management framework and assessment to identify, evaluate and manage the significant risks affecting the Group's operations to ensure that high risk areas are adequately addressed at various levels within the Group.</p> <p>The Group's systems of internal control and risk management primarily cover areas of general operations, production efficiency and effectiveness, health and safety measures, repair and maintenance procedures, inventory management, financial controls and reporting, compliance monitoring and process improvements. The key components are as set out in the Statement of Risk Management and Internal Control in the Group's 2019 Annual Report.</p> <p>The Board annually reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system of the Group to ensure that significant risks faced by the Group are being managed appropriately to respond to changes in the business environment.</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 features of the Group's risk management and internal control framework is as set out in the Statement of Risk Management and Internal Control of the Group's 2019 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	:	The Group's Audit Committee is responsible for the effectiveness of internal control, risk management and governance process. As such, a separate Risk Management Committee was not established.

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 Group's internal audit function is carried out by our own in-house internal auditor, Mr. Leong Yew Wah. He is supported by an independent professional audit firm appointed by the Audit Committee to independently assess the adequacy and effectiveness of the corporate governance and internal control system as well as to provide an independent and objective report on its observations.</p> <p>The internal audit function will highlight its findings, recommendations, management's comments and action plan, via the issuance of an internal audit report directly to the Audit Committee. This report will then be tabled at Audit Committee meetings and thereafter to the Board for further deliberation.</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>Mr. Leong Yew Wah, our internal auditor as well as the outsourced internal audit firm are free from any relationships or conflict of interest with the Group that may impair their objectivity and independence.</p> <p>The outsourced internal audit firm has a direct reporting access to the Audit Committee and ultimately to the Board.</p> <p>The internal controls review conducted by the outsourced internal audit firm is as per the Internal Audit Plan approved and adopted by the Company's Audit Committee.</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 Group has established a corporate website including the creation of an Investor Relations section to reach out to current and potential investors. It is the Group's practice to respond to shareholders' letters, phone calls and email enquiries in a timely manner. Whilst the Company endeavours to provide as much information as possible to its shareholders and other stakeholders, the Board is mindful of the regulatory framework governing the release of material and price sensitive information.</p> <p>At the same time, the Group also announces its quarterly results on a timely basis to the shareholders and also make necessary corporate announcements to its stakeholders in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. On top of this, the Group also holds an Annual General Meeting which is also the principal event for dialogue with shareholders where the Directors are present in person to engage directly with the shareholders on any matters related to the operational, financial and administrative aspects 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 Group does not fall within the definition of Large Companies. Upon achieving such status, the Board shall then decide on the adoption of integrated reporting based on a globally recognised framework.
<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 date of Notice of the Group's Fifth Annual General Meeting (AGM) is 30 June 2020 and the Fifth Annual General Meeting is scheduled to be held on 13 August 2020, which is more than 28 days' advance notice.</p> <p>With that, the shareholders are given sufficient notice and ample time to consider the resolutions and make informed decisions in exercising their voting rights at the Annual General Meetings. It also allows the shareholders to make necessary arrangement either to attend and participate in person or to appoint the corporate representatives, proxies or attorneys prior to the Meeting.</p> <p>The Group distributes the administrative details together with the Notice of Annual General Meeting to furnish the shareholders with the details of the Annual General Meeting, the eligibility of the shareholders, their rights to appoint proxies and other related information pertaining to the Annual General Meeting. The explanatory notes to the Notice of the Fifth Annual General Meeting contain details of each resolution to be tabled to enable the shareholders to make informed decisions.</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	:	Barring any unforeseen circumstances, all Directors of the Group will endeavour to attend all General Meetings. During these meetings, the Board of Directors which also includes the Chairmen of the Audit, Nominating and Remuneration Committees will be present to address any matters raised before 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	:	The Group's Annual General Meeting will be held in Ipoh, Perak and not in a remote location.
<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.