

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5279  
**COMPANY NAME** : Serba Dinamik Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2017

### **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 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.*

## 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.

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <p>The Board is committed to high standards of corporate governance and strives to ensure that it is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group.</p> <p>The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act 2016, Main Market Listing Requirements (MMMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and other regulatory guidelines and requirements that are in force.</p> <p>In discharging its duties and roles effectively, the Board is also guided by the Board Charter, which sets out the principles and guidelines that are to be applied by the Board, whilst the Board committees are guided by its respective terms of reference. The Board Charter and the Terms of Reference for each Board Committee can be found at the Group's website.</p> <p>To ensure the effective discharge of its functions, the Board endeavors on the following responsibilities:</p> <p>(a) to review, challenge, approve and monitor the strategic business plan, which includes the overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;</p> |

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|  | <p>(b) to oversee the conduct and the performance of the businesses and to determine whether the businesses are being properly managed;</p> <p>(c) to identify principal risks and ensuring the implementation of appropriate internal controls and risks mitigation to effectively monitor and manage these risks;</p> <p>(d) To prepare for succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key management;</p> <p>(e) to oversee the development and implementation of a shareholder communication policy for the Group;</p> <p>(f) to review the adequacy and the integrity of the management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines; and</p> <p>(g) to ensure that appropriate policies are in place, adopted effectively and are regularly reviewed in light of changing circumstances.</p> <p>The Board is collectively responsible in promoting the success of the Group in building an enduring and profitable business admired by customers and stakeholders whilst achieving strong returns for the valuable shareholders.</p> <p>The Group has adopted the Code of Conduct for the directors &amp; employees that seeks to ensure that the Directors and employees which perform work or services for the Group will acts ethically and remain above board at all times.</p> <p>The Board acknowledges the importance of the following:</p> <ul style="list-style-type: none"> <li>• Maintaining a sound system of internal control and a robust risk management practice for good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets. For this purpose, the Board has adopted a Risk Governance Framework; and</li> <li>• The need for effective Investor Relations and Communications with shareholders and to provide them with all relevant information affecting the Company.</li> </ul> |
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|   | <p>The Board has established a number of Board Committees whose compositions and terms of reference are in accordance with the Corporate Governance and the MMLR, and consistent with the recommendations of the MCCG 2017.</p> <p>The functions and terms of reference of Board Committees and Management Executive Committee, as well as authority delegated by the Board to these Committees, are reviewed from time to time to ensure that they remain relevant and are up-to-date.</p> <p>The Board Committees are comprises of:</p> <ul style="list-style-type: none"> <li>a) Audit &amp; Risk Committee ("ARC");</li> <li>b) Nomination &amp; Remuneration Committee ("NRC"); and</li> <li>c) Investment Committee ("IC").</li> </ul> <p>The Chairman of various Committees will report to the Board the outcomes of their meetings.</p> |     |
| <b>Explanation for departure</b>  | :   | n/a |
|   |   | n/a |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |     |
| <b>Measure</b>  | :   | n/a |
| <b>Timeframe</b>  | :   | n/a |

### 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.

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| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter.<br><br>The Chairman of the Board is an Independent Non - Executive Director who is primarily responsible for the orderly conduct and function of the Board and ensures its effectiveness on all aspects of its roles.<br><br>In addition, the Chairman is responsible for representing the Board to the Shareholders and is responsible for ensuring the integrity and effectiveness of the governance process of the Group.<br><br>The Chairman of the Board shall also act as Chairman at general meetings. |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  | : | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

### 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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The distinct and separate roles and responsibilities of the Chairman and Group Managing Director/Chief Executive Officer ("MD/CEO") are provided in the Board Charter.</p> <p>The Board practices a clear demarcation of duties and responsibilities between the Chairman and Group MD/CEO to ensure a balance of power and authority in the Board. The positions of Chairman and Group MD /CEO are held by two different individuals.</p> <p>The Chairman, Dato' Mohamed Nor Abu Bakar holds position as an Independent Non-Executive Director, whilst Group MD/CEO is Dato' Dr. Ir. Mohd Abdul Karim Abdullah which holds position as a Non Independent Executive Director.</p> <p>The Chairman is primarily responsible for the stewardship and smooth functioning of the Board, whilst the Group MD/CEO is responsible for the overall operations of the business, organizational effectiveness and the implementation of the Group's strategies and policies.</p> <p>The Group MD/CCEO also manages the respective responsibilities of the divisions and departments in the Group.</p> |
| <b>Explanation for departure</b>   | : | n/a  |
|  |   | n/a  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : | n/a  |
| <b>Timeframe</b>   | : | n/a  |
|  |   | n/a  |

### 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.

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| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | <p>The Company Secretaries are qualified and competent to act pursuant to Section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board, particularly with regards to the Constitution of the Company, Board policies and procedures and the Group's compliance with regulatory requirements, codes, guidance and legislation.</p> <p>The Company Secretaries ensure that the discussions and deliberations at Board and Board Committee meetings are well documented.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.</p> |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

### 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.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees and General meetings for the year under review were scheduled in advance to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules.</p> <p>The Notice of the Board and Board Committees meetings are sent to the Directors via email at least seven days prior to the respective meeting.</p> <p>The agenda and Board papers encompassing comprehensive qualitative and quantitative information which include objectives, background, critical issues, implications, risks, strategic fit, recommendations and other pertinent information are circulated to the Directors to enable an informed decision making by the Board.</p> <p>The Board papers are circulated to all Directors at least five business days prior to each Board meeting. This enables the Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretary before each meeting.</p> <p>Any Director may request matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under the item "Any Other Business".</p> <p>Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board. In this regard, relevant information is furnished and clarifications are given to assist the Board in making a decision.</p> <p>All proceedings of Board and Board Committees meetings are duly recorded in minutes of each meeting and the signed minutes of each meeting are properly kept by the Company Secretary. Minutes of the meetings are tabled for confirmation at the next meeting whilst the minutes of the Board Committees are presented to the Board for notation.</p> |



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|  | The Company Secretary will communicate to the relevant Management the Board's decisions / recommendations via circulation of draft minutes of meetings for appropriate actions to be taken. |     |
| <b>Explanation for departure</b>   | :   | n/a |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |     |
| <b>Measure</b>   | :   | n/a |
| <b>Timeframe</b>   | :   | n/a |
|  |   | n/a |

### 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.

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| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The Board has a Board Charter and Terms of Reference of its Board Committees, which are periodically reviewed and published on the Group's website.<br><br>The Board Charter and the Committees' Terms of Reference clearly identify: <ul style="list-style-type: none"><li>• The respective roles and responsibilities of the board, board committees, individual directors and management; and</li><li>• issues and decisions reserved for the board.</li></ul> |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  |   | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

### 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.

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| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has adopted the Code of Conduct for the directors &amp; employees that seeks to ensure that the Directors and employees which perform work or services for the Group will acts ethically and remain above board at all times.</p> <p>The Code is published on the Group's website.</p> <p>The Code places significant importance in upholding the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and wellbeing of the Group.</p> <p>The Code detailed policy statements on the standards of behavior and ethical conduct expected of each individual to whom the Code applies.</p> <p>The Code expressly prohibits improper solicitation, bribery, insider trading, money laundering and other corrupt activity by employees and directors.</p> |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

### 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.

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| <b>Application</b>  | : | Departure   |
| <b>Explanation on application of the practice</b>   | : | n/a   |
| <b>Explanation for departure</b>  | : | <p>The Board acknowledged the non - application of Practice 3.2 and the Group is in the midst to adopt Whistleblowing Policy which provides an avenue for employees and members of the public to disclose any improper conduct committed or about to be committed in accordance with the procedures as provided under the policy.</p> <p>The Policy is intended to directly support the Group's Core Values, Code of Ethics and Governance requirement.</p> <p>Under the Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable.</p> <p>Disclosure of information should initially and promptly be made by the Whistle-Blower to one or more designated independent directors of the Group.</p> <p>An employee who whistle blows internally will also be protected against any adverse and detrimental action for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith.</p> <p>Such protection is accorded even if the investigation later reveals that the whistle blower is mistaken as to the facts and the rules and procedures involved.</p> |
|   |   | Alternative Practice: n/a   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : | The Draft of Whistleblowing Policy was prepared for deliberation to and approval by the Board.  |

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| <b>Timeframe</b> | : | Within 1 year. | n/a |
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**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.

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| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The Board currently has 4 Independent Directors which is equivalent to 57% of the composition of the Board. |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  |   | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

### 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.

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| <b>Application</b>   | : | Not applicable since none of the independent director(s) serves the Board beyond 9 years' term. |     |
| <b>Explanation on application of the practice</b>  | : | n/a   |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  |   | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

**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.

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| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | In line with the exemplary practice as recommended by the Malaysian Code on Corporate Governance 2017, the Board has adopted a policy which limits the tenure of its independent directors to nine years, as prescribed in its Board Charter. |



### 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.

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| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The areas of the expertise and experience of Board and Senior Management covers of Engineering, Finance and Legal.<br><br>All potential candidates are first considered by the NRC, taking into consideration mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively discharge his or her role as a director.<br><br>Diversity in terms of age, gender and ethnicity are also considered during the selection process. |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  | : | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

### 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.

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| <b>Application</b>   | : | Departure  |     |
| <b>Explanation on application of the practice</b>  | : | n/a  |     |
| <b>Explanation for departure</b>   | : | The Board composition is supported by one (1) woman director which is Independent Non-Executive Director, Sharifah Irina Syed Radzi, equivalent at 14% of board composition.<br><br>The Board acknowledged the non - application of Practice 4.5 and has agreed for the Group to consider appointing additional women directors to the Board to support the Group's growth strategies. |     |
|  |   | Alternative Practice: n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | The Board has subsequently delegated to NRC to undertake the process.<br><br>In executing the above, the Group shall engage a third-party consultant to assist in its Board search.<br><br>In the event new independent director is appointed to the Board, the necessary submissions to Bursa Malaysia will be made accordingly.  |     |
| <b>Timeframe</b>   | : | Within 1 year.   | n/a |

### 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.

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| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | The Board uses a variety of sources for the identification of suitable candidates of directors.<br>Pursuant to NRC's Terms of Reference, NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent advice whenever necessary. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  | : | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

### 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.

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| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the NRC is an Independent Non-Executive Directors, Tengku Dato' Seri Hasmuiddin Tengku Othman. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

### 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.

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| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director.</p> <p>In addition, the NRC assesses the independence of Directors annually based on the criteria specified in the MMLR.</p> <p>The Performance Assessment for Board was adopted by SDHB in Financial Year 2017. It is conducted internally upon completion of the financial year and comprise of Board Evaluation.</p> <p>It is designed to increase the Board's effectiveness and efficiency as well as to draw the Board's attention to key areas that need to be addressed in order to maintain consistency of the Board's performance regardless of its diversity.</p> <p>The assessment questionnaire is distributed to all respective Board members and covers topics such as the contribution and performance of Directors with regards to their competency, time commitment, integrity and experience in meeting the needs of the Group and suggestions to enhance board effectiveness.</p> |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

### 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.

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| <b>Application</b>   | : | Departure  |     |
| <b>Explanation on application of the practice</b>  | : | -  |     |
| <b>Explanation for departure</b>   | : | The Board acknowledged the non - application of Practice 6.1 and has agreed for the Group to formalize policies and procedures to determine the remuneration of directors and senior management. |     |
|  |   | Nevertheless, the Group has undertaken a review on the current Non - Executive Directors' remuneration and a benchmarking exercise was carried out against selected companies in Malaysia.       |     |
|  |   | For the Senior Management, NRC has a designated role as defined in its Terms of Reference to determine the remuneration.   |     |
|  |   | Alternative Practice: n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | The Directors' Remuneration Framework & Senior Management Remuneration Framework will be crafted and finalised and shall be uploaded to the Group's website.                                     |     |
| <b>Timeframe</b>   | : | Within 3 years.  | n/a |

### 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.

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The Company has a combined Nomination &amp; Remuneration Committee ("NRC").</p> <p>Their authority and duties as well as functions are clearly defined in the Terms of Reference as disclosed in the Group's website.</p> <p>The NRC is responsible to recommend general remuneration policy, framework and structure of the Group, the directors, the GCEO and the Chief Level Officers as well as to review any changes to the same as and when necessary.</p> <p>The NRC may obtain independent professional advice and any other information necessary in determining the framework.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

### 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.

|  |   |  |     |
|--|---|--|-----|
| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | The detailed disclosure on named basis for the remuneration of individual directors are defined in the Corporate Governance Overview Statement the Annual Report 2017. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |



### 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.

|  |   |  |     |
|--|---|--|-----|
| <b>Application</b>   | : | Departure  |     |
| <b>Explanation on application of the practice</b>  | : | -  |     |
| <b>Explanation for departure</b>   | : | The Board acknowledged the non - application of Practice 7.2.<br>Nevertheless, the Company opts not to disclose the components of the remuneration of Senior Management, which include their salary, bonus, benefits in - kind and other emoluments by virtue that the information is subject to the Personal Data Protection Act (PPDPA), 2010, that requires written consent from the respective Senior Management personnel for disclosure of their personal data to the public at large. |     |
|  |   | Alternative Practice:<br>There are Top 5 Senior Management which inclusive 2 Non-Independent Executive Directors.<br>The remuneration of the Non-Independent Executive Directors is disclosed in the Group's 2017 Annual Report.<br>For the remaining Senior Management, their remuneration package has been benchmarked with the industry and is in line with the industry practice.<br>In addition, their annual increments and bonus payouts are based on performance.                    |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | The Company does not have an alternative plan to meet the intended outcome.  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

**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.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not adopted |
| <b>Explanation on adoption of the practice</b> | : | n/a         |

### 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.

|  |   |  |     |
|--|---|--|-----|
| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the Audit & Risk Committee is Hasman Yusri Yusoff, and is not the Chairman of the Board. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

## 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.

|  |   |   |   |
|--|---|---|---|
| <b>Application</b>   | : | Departure   |   |
| <b>Explanation on application of the practice</b>  | : | n.a   |   |
| <b>Explanation for departure</b>   | : | The Board acknowledged the non - application of Practice 8.2.   |   |
|  |   | The composition, quorum, frequency of meeting as well as the specific duties, responsibilities and authority of the Audit & Risk Committee ("ARC") are set out under its Terms of Reference which was approved by the Board and published in the Group's website. |   |
|  |   | Alternative Practice:<br>None of the members of the Board were former key audit partners. Thus, no member of ARC appointed was a former key audit partner.  |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |   |
| <b>Measure</b>   | : | The policy will be incorporated in the Terms of Reference of the ARC.<br>Similar requirement shall be extended to professionals who have dealings with the Group.   |   |
| <b>Timeframe</b>   | : | Within 1 year.  | - |

### 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.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The ARC is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re - appointment or termination of the external auditor.</p> <p>Under its Terms of Reference, the ARC reviews the suitability, and independence of the external auditor of the Company.</p> <p>The review process covers the assessment of the independence of the external auditor, the evaluation of their performance, quality of work, audit fees and the adequacy resources.</p> <p>During the year under review, the ARC met with the external auditor s namely KPMG PLT at least once in the absence of the Management.</p> <p>In relation to this, the BAC noted the assurance provided by the External Auditor confirming their independence throughout the financial year under review.</p> |
| <b>Explanation for departure</b>   | : | n/a   |
|  |   | n/a   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : | n/a   |
| <b>Timeframe</b>   | : | n/a   |
|  |   | n/a   |

**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.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : | n/a         |

### 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.

|  |   |   |     |
|--|---|---|-----|
| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The members of ARC are financially literate i.e. have the ability to read and understand fundamental financial statements, including a Group's balance sheet, income statement, statement of cash flow and key performance indicators.<br><br>The qualification and experience of the individual ARC members are disclosed in the Director's Profile in the Annual Report 2017. |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  |   | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

### 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.

|  |   |  |     |
|--|---|--|-----|
| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | The Group has a risk management framework and internal control systems in place to ensure the smooth running of the business with the aim to manage the risks and control of the Group's business and financial affairs economically, efficiently and effectively to be able to seize profitable business opportunities in a disciplined way while avoiding or mitigating risks that could cause loss, reputational damage or business failure.<br><br>Further information on risk management framework and internal control are disclosed in the Statement of Risk Management and Internal Control of 2017's Annual Report. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |



### 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.

|  |   |   |     |
|--|---|---|-----|
| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The key features of the Group's risk management and internal control framework, which cover their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the 2017's Annual Report. |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  |   | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

**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.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : | n/a         |

### 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.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has engaged Salihin Consulting Group Sdn. Bhd. ("SALIHIN"), as Internal Auditor to undertake a Risk Based Internal Audit Consultancy.</p> <p>SALIHIN's key functions are to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group.</p> <p>SALIHIN maintains its impartiality, proficiency and due professional care, as outlined in its Internal Audit Charter, by having its plans and reports directly under the purview of the ARC. The ARC has full access to internal auditors and receives reports on all audits performed.</p> <p>SALIHIN performs independent audits in diverse areas within the Group including overall governance and control, operations, projects, accounting and financial activities, in accordance with the risk - based annual audit plan presented to the ARC for approval.</p> |
| <b>Explanation for departure</b>   | : | n/a   |
|  |   | n/a   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : | n/a   |
| <b>Timeframe</b>   | : | n/a   |
|  |   | n/a   |

## 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.

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The internal audit function of the Group is currently headed by Ahmad Izwan Adnan who is the Executive Director of SALIHIN.</p> <p>He is a Chartered Accountant with Malaysian Institute of Accountants ("MIA") and also a member of Institute of Internal Auditors ("IIA") Malaysia. He holds a Bachelor's Degree in Accountancy from International Islamic University Malaysia.</p> <p>All internal audit activities for the financial year under review were performed in house by 4 designated internal auditors from SALIHIN of diverse backgrounds and disciplines such as accounting and finance, business administration and management, engineering and information technology.</p> <p>SALIHIN undertakes to ensure that the designated internal auditors are competent and adequately equipped in carrying out their duties and responsibilities by having structured development program and providing sufficient and relevant trainings.</p> <p>In addition, the Group adopts the Standards and Principles outlined in the International Professional Practices Framework of The Institute of Internal Auditors ("IIPPF") and Committee of Sponsoring Organization of the Treadway Commission ("COSO") Internal Control Framework, a comprehensive, structured and widely used auditing approach, in conducting the audit activities.</p> <p>Based on the COSO Framework, all aspects of controls are given emphasis in order to ensure risk is well managed and mitigated.</p> |

|  |   |     |     |
|--|---|-----|-----|
| <b>Explanation for departure</b>   | : | n/a |     |
|  |   | n/a |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |     |     |
| <b>Measure</b>   | : | n/a |     |
| <b>Timeframe</b>   | : | n/a | n/a |

### 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.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board recognizes the importance of effective dialogue with shareholders and investors. The Group believes that communication with the shareholders is a two - way process.</p> <p>The Group take into consideration views and feedback it receives from all the shareholders.</p> <p>In the past year, the Group MD/CEO, the Group Chief Financial Officer and other members of Senior Management, conducted regular dialogues with both its shareholders and analysts.</p> <p>This resulted in better understanding of the Group's financial performance and operations.</p> <p>In addition, the Group actively updates its website with the latest information on the corporate and business aspects of the Group.</p> <p>Press releases, announcements to Bursa Malaysia, media conference post AGM, analyst briefings and quarterly results of the Group are also made available on the website and this serves to promote accessibility of information to the shareholders and all stakeholders.</p> |
| <b>Explanation for departure</b>   | : | n/a  |
|  |   | n/a  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : | n/a  |
| <b>Timeframe</b>   | : | n/a  |
|  |   | n/a  |

### 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.

|  |   |   |     |
|--|---|---|-----|
| <b>Application</b>   | : | Departure   |     |
| <b>Explanation on application of the practice</b>  | : | n/a   |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  |   | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | The Group shall adopt integrated reporting based on a globally recognised framework by latest FY2021. |     |
| <b>Timeframe</b>   | : | Within 3 years.   | n/a |

### 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.

|  |   |  |     |
|--|---|--|-----|
| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | The Company dispatches the notice of its Annual General Meeting ("AGM") to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.<br><br>The additional time given to shareholders to allow them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys.<br><br>More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  | : | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |



### 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.

|  |   |  |     |
|--|---|--|-----|
| <b>Application</b>   | : | Applied  |     |
| <b>Explanation on application of the practice</b>  | : | All the Company's Directors attended the general meetings of the Company.<br>The Chairmen of the ARC, NRC & Investment Committee responds to any queries and clarifications addressed to them, if any. |     |
| <b>Explanation for departure</b>   | : | n/a  |     |
|  |   | n/a  |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |     |
| <b>Measure</b>   | : | n/a  |     |
| <b>Timeframe</b>   | : | n/a  | n/a |

### 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.

|  |   |   |     |
|--|---|---|-----|
| <b>Application</b>   | : | Applied   |     |
| <b>Explanation on application of the practice</b>  | : | The Company's AGM held within the capital city limits and not in remote location. |     |
| <b>Explanation for departure</b>   | : | n/a   |     |
|  | : | n/a   |     |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |     |
| <b>Measure</b>   | : | n/a   |     |
| <b>Timeframe</b>   | : | n/a   | n/a |

**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.*